MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

GENERATION

India ranks 5th in the world in terms of total installed capacity, it is one of the lowest in terms of per capita consumption of power. The National Electricity Policy (NEP) stipulates "power for all" and annual per capita consumption of electricity to rise to 1000 units by 2012. The policy aims at inclusive growth of power sector by providing adequate reliable power, at reasonable rates with access to all citizens. The 17th Electric Power Survey (EPS) forecast that the peak demand would grow at a CAGR of 7.8% in the 11th Plan as compared to growth in supply expected around 6.8% to 7% resulting in continued upward trend of power deficit in India. The demand projections as per 17th EPS for next 11-12 years on all-India basis show that the energy requirement and annual peak load will be 2.30 times and 2.50 times respectively of the existing requirement as detailed hereunder:

Year	Energy Requirement Tera Watt Hrs	Annual Peak Load at Power Stn. (GW)
2009-10 (Act.)	830.594	119.166
2011-12	968.659	152.746
2016-17	1392.066	218.209
2021-22	1914.508	298.253

Source-17th Electric Power Survey of CEA

However, over last 3 years, the CAGR of peak demand as well as energy shortages have shown a downward trend as compared to projections considered in the 17th EPS.

Mid Term Review of 11th plan

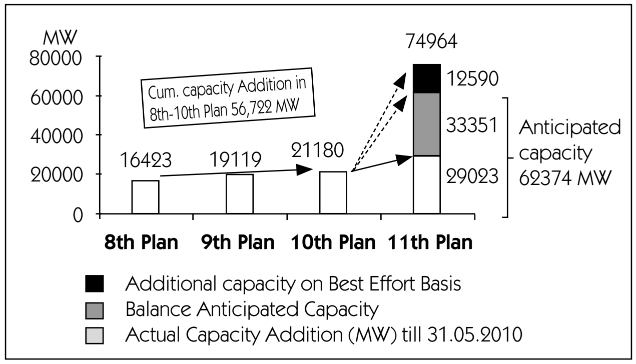
Based on the progress made so far during 11th plan, Planning Commission in its draft midterm review has assessed that against a target of 78,700 MW, a total capacity of 62,374 MW is likely to be added with high certainty alongwith 12,590 MW capacity that may be added on best efforts basis.

Capacity in MW

Sector	Thermal	Hydro	Nuclear	Total	Likely Addition
Central	24,840	8,654	3,380	36,874	21,222
State	23,301	3,482	0	26,783	21,355
Private	11,552	3,491	0	15,043	19,797
Total	**59,693**	**15,627**	**3,380**	**78,700**	**62,374**

Source : CEA

So far, in the 11th Plan, 29,023 MW (including Renewable Energy Sources-RES) capacity has been added (upto May, 2010). In absolute terms, this capacity addition in the 11th plan is much higher as compared to the capacity added in each of last three five-year- plans.



The main issues in capacity addition during 11th plan are delayed supply of equipment due to issues concerning shortages, non-sequential supply of material by suppliers, shortage of skilled manpower for construction and commissioning of projects, contractual disputes between project authorities, contractors and their sub-vendors, delay in readiness of balance of plants by the executing agencies. Hydro capacity addition has slipped substantially. Difficulties have been experienced by developers in land acquisition, rehabilitation, environmental and forest – related issues, inter-State issues, geological surprises (particularly for Hydro projects) and contractual issues. These issues continue to pose challenges to maintain the pace of development of power projects.

Advance action for 12th Plan

As regards 12th Plan, it is expected that capacity addition close to 1,00,000 MW will take place. In this proposed capacity, the major portion is expected to come through super-critical technology. In order to achieve the 12th Plan target and in order to augment the domestic manufacturing base of main plant equipment, bulk tendering of super-critical units was approved by the Cabinet Committee on Infrastructure in August 2009 with emphasis on phased manufacturing programme so that domestic manufacturing capacity of super-critical units is established in the country through new manufacturers apart from BHEL. It was also decided to invite separate international competitive bids (ICBs) for the boiler and the steam turbine generator (STG) islands, i.e. one bulk package for all the boilers and another bulk package for all the STGs, instead of a single common boiler turbine generator (BTG) bulk package, as there are limited manufacturers who manufacture both boilers and

STGs. Following the approval of Government of India, NTPC was entrusted with the task of issuing NIT for bulk ordering of 11 units of 660 MW (totalling 7260 MW).

CEA has also set up 18th EPS committee to forecast electricity demand in detail upto the end of 12th Plan (2012-13 to 2016-17) and to project prospective electricity demand for 13th and 14th plans.

Substantial capacity is also expected to be added through Ultra Mega Power Projects.

Existing Installed Capacity

The total installed capacity in the country as on March 31, 2010 was 159,398.49 MW with State Sector leading with a share of 49.80%, followed by Central Sector with 32 % share and balance 18.20% contributed by Private Sector entities.

Total Capacity	MW	% share
State	79,391.85	49.80%
Centre	50,992.63	32.00%
Private	29,014.01	18.20%
Total*	**159,398.49**	**100%**

*Excluding captive generating capacity connected to the grid 19509 MW as on 31.3.2010

Source: CEA's Reports

Capacity addition gained momentum during the year 2009-10 with 9,585 MW (excluding RES) of capacity being added as compared to 3,454 MW added during the previous year, registering a growth of 178%.

Out of 11,433.08 MW (including RES) added during the year in the country, the Central Sector contributed to an addition of about 17.69%, State Sector 28.65% and 53.66% was contributed by Private Sector.

The total thermal capacity, including gas stations and diesel generation accounts for about 64.27% of installed capacity of the country followed by hydro capacity at 23.13%. Nuclear stations account for 2.86% and the balance 9.74% is contributed by Renewable Energy Sources.

Total Capacity	MW	% share
Thermal	102,453.98	64.27%
Hydro	36,863.40	23.13%
Nuclear	4,560.00	2.86%
R.E.S.@	15,521.11	9.74%
Total	**159,398.49**	**100%**

@ Renewable Energy Sources

Source: CEA's executive summary

With 84,198.38 MW of the installed capacity contributed by coal based stations which is 52.82% of nation's capacity, coal remains key fuel for power generation.

Existing Generation

The total power available in the country during the year 2009-10 was 771.551 billion units as compared to 723.794 billion units during last year, registering a growth of 6.6%.

The sector wise and fuel wise break-up of generation for the year 2009-10 is detailed as under:

Total Generation	Billion Units	% share
State Sector	348.274	45.14%
Central Sector	324.284	42.03%
Pvt. Sector	93.634	12.14%
Others*	5.359	0.69%
Total	771.551	100.00%

Total Generation	Billion Units	% share
Thermal	640.876	83.06%
Hydro	106.680	13.83%
Nuclear	18.636	2.42%
Others*	5.359	0.69%
Total	771.551	100.00%

*Bhutan Import.

Source: CEA's Reports

Although the State Sector accounts for 49.80% of installed capacity, its contribution to national generation is only 45.14%. Central Sector utilities have better performing stations as compared to those of State utilities and contribute 42.03% of nation's generation with a share of 32% in installed capacity.

Demand and Supply position

The supply of power improved during the year 2009-10 owing to increase in capacity in coal as well as gas based plants. Gas based supply also increased primarily due to availability of KG basin gas.

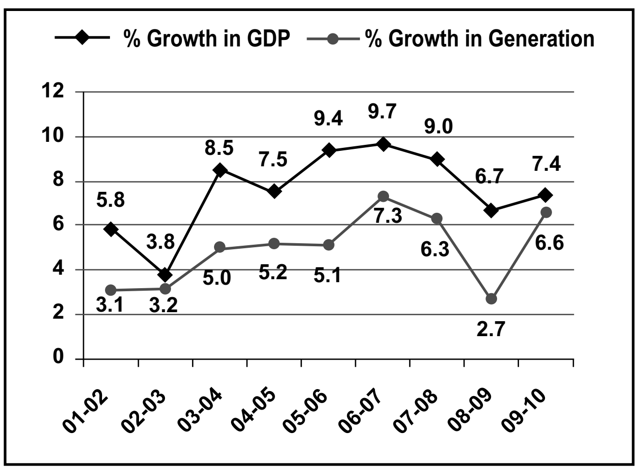
For the first time since 2003-04, energy deficit declined on a year-on-year basis in 2009-10 to 10.1 % from 11.1 %. The base load demand increased by 7.26% while base load supply grew by 8.36% over last year. This is also attributed to higher capacity addition coupled with higher utilisation owing to improved fuel availability.

Peak load demand, however, increased by 8.52% whereas peak supply grew by 7.6 % resulting in raising peak load deficit to 12.7% in 2009-10 from 11.9 % in the previous year. The reversal of the downtrend witnessed last year is mainly due to resumption in industrial activity as reflected in the change of growth rate of Index of Industrial Production (IIP) from 2.7% in 2008-09 to 10.4% in 2009-10. *(source: CSO)*

Years	Peak Deficit %	Energy Deficit %
2000-01	13.0	7.8
2001-02	11.8	7.5
2002-03	12.2	8.8
2003-04	11.2	7.1
2004-05	11.7	7.3
2005-06	12.3	8.4
2006-07	13.8	9.6
2007-08	16.6	9.8
2008-09	11.9	11.1
2009-10	12.7	10.1

As per IMF's World Economic Outlook 2010 update, India's GDP is expected to grow at 9.4%, next only to China which is expected to grow at 10.5% this year in comparison to other countries. In order to sustain the growth in GDP, India needs to add power generation capacity commensurate with this pace since growth of power sector is strongly co-related with the growth in GDP and going forward it is expected that supply will create further demand.

Central Electricity Authority in its 17th Electric Power Survey (EPS) has projected that in order to completely wipe off the energy deficit, the energy requirement at the power station bus bar would be of the order of 968.659 Billion Units in 2011-12.



Currently, the sector is characterized by acute shortages. The demand and supply position during the last five years in the country is indicated as under:

Actual Power Demand- Supply Position

Fiscal Year	Requirement	Availability	Surplus/Deficit (+/-)	
	(MU)	(MU)	(MU)	(%)
2005	591,373	548,115	-43,258	-7.3%
2006	631,554	578,819	-52,735	-8.4%
2007	690,587	624,495	-66,092	-9.6%
2008	737,052	664,660	-72,392	-9.8%
2009	777,039	691,038	-86,001	-11.1%
2010	830,594	746,644	-83,950	-10.1%

MU denotes Million units,

Source: Executive Summary Reports of CEA.

Structure of power market

Power is transacted in India largely through long term Power Purchase Agreements (PPA) entered between Generating/ Transmission Companies with the Distribution utilities. A small portion is transacted through various short-term mechanisms like trading through licensees, bi-lateral trading, trading through power exchanges and balancing market mechanism (i.e. Unscheduled Interchange (UI) mechanism).

In the year 2009-10, around 93.17% of power generated in the Country was transacted through the long term PPA route. 5.35% of the power was transacted through trading mechanism which included trading through short term licensees, bi-lateral trading, trading through power exchanges and the balance 1.48% of the power was transacted through UI mechanism.

Consumption

The end users of power in India are broadly classified into industrial, domestic, agricultural and commercial categories. The share of each of these categories in the consumption of electricity during the fiscal 2008 was approximately 38%, 24%, 22% and 8% respectively. The balance pertains to various other consumers. The per capita consumption of electricity of 704.2 kWh (2007-08) in India is quite low as compared to the world average of 2750 kWh in the year 2006.

Capacity Utilisation

Capacity utilisation in the Indian power sector is measured by Plant Load Factor (PLF).

Sector wise PLF (Thermal)

Sector	Plant Load Factor		
	2007-08	2008-09	2009-10
State	71.9	71.2	70.9
Central	86.7	84.3	85.5
Private	90.8	91.0	83.9
All India	78.6	77.3	77.5

Further, PLF of gas stations improved considerably from 57.6% clocked in 2008-09 to 67.28% during 2009-10 owing to improvement in gas supply.

TRANSMISSION AND DISTRIBUTION

In India, the power transmission and distribution (T&D) system is a three-tier structure comprising of distribution networks, state grids and regional grids. The distribution networks are owned by the distribution licensees and the state grids are primarily owned and operated by respective state utilities. In order to facilitate the transmission of power among neighbouring states, state grids are interconnected to form regional grids.

Most of the inter-state transmission links are owned and operated by Power Grid Corporation of India Limited. Power Grid also owns and operates many inter-regional transmission lines (forming a part of the national grid), in order to primarily facilitate the transfer of power from a surplus region to a deficit region. The regional grids are being gradually integrated to form a national grid enabling inter-regional transmission of power facilitating optimal utilization of the national generating capacity. The geographical distribution of primary sources of power generation in the country is uneven. The hydro potential is in the Northern and North-Eastern States and coal is primarily located in the Eastern part of the country. The focus of planning the generation and the transmission system in the country has shifted from the orientation of regional self-sufficiency to the concept of optimization of utilization of resources on all-India basis. Development of a strong National Grid has become a necessity to ensure optimal supply of power to all. The Ministry of Power (MoP) has envisaged establishment of an integrated National Power Grid in the country by the year 2012. The program envisages addition of over 60,000 ckt km of Transmission Network in a phased manner by 2012. The integrated grid shall evacuate additional 100,000 MW and carry 60% of the power generated in the country. The existing inter-regional transmission capacity connects the northern, eastern, north-eastern and western regions in synchronous mode and the southern region asynchronously. The inter-regional power transmission capacity as on March 2010 is 20,800 MW. This capacity is expected to be further augmented to 37,700 MW by 2012. High capacity transmission corridors need to be developed for the viable and economic evacuation of such a quantum of power. For this, high capacity HVDC links and 1,200 kV and 765 kV UHV (Ultra High Voltage) AC corridors with pooling stations at suitable locations in Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, Andhra Pradesh and Tamil Nadu have been envisaged. Work has started on the first 800 kV HVDC bipole line from the north-eastern region to the northern region.

POWER TRADING

Trading of power is recognized as a distinct license activity under the Electricity Act 2003 (EA 2003). The Central and State Electricity Regulatory Commissions have powers to grant inter-state and intra-state trading licenses. As per CERC, there are 39 inter-state trading licensees on March 31, 2010.

The volume of electricity transacted through trading licensees and on power exchanges has increased from 20.18 BUs in 2007 to 30.60 BUs in 2009 representing 3% and 4% of total generation respectively in the country. The weighted average price of electricity transacted through two power exchanges are showing a downward trend and came down from Rs.7.57/kWh in the year 2008 to Rs.5.73/kWh in the year 2009.

Volume of Electricity Transacted during 3 years

BUs

Year	Electricity Transacted Through			Total	Trade as % of Generation
	Trading Licensees	IEX	PXIL		
2007	20.18	-	-	20.18	2.93%
2008	21.63	1.72	0.02	23.37	3.28%
2009	24.81	5.07	0.72	30.60	4.08%

Source: Annual Report of CERC for the year 2009

India has two power exchanges – India Energy Exchange (IEX) promoted by Financial Technologies (India) Limited (FTIL) and PTC India Financial Services Ltd. and Power Exchange India Limited (PXIL), promoted by NSE and National Commodities & Derivatives Exchange Ltd. (NCDEX). Both the power exchanges are operational contributing to trade and distribution of market information, promoting competition and creation of liquidity in a deregulated power market. The trading is done through on-line satellite connected exchange that ensures transparency and price discovery.

Open access in inter-state transmission is fully operational. To boost open access, the CERC has recently notified a regulation on Connectivity, Long-term Access and Medium-term Open Access in inter-state transmission. The regulation introduced medium-term open access to the inter-state grid. A transmission corridor can now be availed for a period ranging from 3 months to 3 years. Provisions have also been made for seeking connectivity to grid. The new dispensation has abolished the discrimination between public-sector and private-sector generators in the matter of connectivity to grid. Also, now any 100 MW and above consumer can be connected directly to the Central Transmission Utility grid without having to go to State Load Dispatch Centers (SLDCs).

RURAL ELECTRIFICATION

As per Central Electricity Authority (CEA), around 83.9% villages have been electrified by end March, 2010. The Central Govt. launched a scheme "Rajiv Gandhi Grameen Vidyutikaran Yojana" (RGGVY) in April 2005 with the goal of electrifying all (around 118500) un-electrified villages and hamlets and providing access to electricity to all households in next five years. Under RGGVY, 80,864 villages have been electrified and connections to 1.15 crore Below Poverty Line (BPL) households have been released up to 15.6.2010.

(Source: Ministry of Power –RGGVY projects)

R-APDRP

Accelerated Power Development and Reforms Programme (APDRP) was modified and renamed as Restructured APDRP (R-APDRP).The program was approved by CCEA on July 31, 2008. R-APDRP is linked to actual demonstrable performance in terms of AT&C loss reduction to 15% or less by the end of 11th plan through adoption of IT for energy accounting/ auditing and strengthening /up-gradation of distribution network.

The R-APDRP program size is Rs.51,577 crore. Projects under the scheme are classified in 4 parts – 'A', 'B', 'C' and 'D'. Part 'A' is for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers and Part 'B' is towards regular distribution strengthening projects. The expected investment in Part 'A' is Rs.10,000 crore and that in Part 'B' would be Rs 40,000 crore. PFC is the nodal agency for operationalizing the programme. Part 'A' & Part 'B' projects can be implemented simultaneously with a gap of 3-6 months which is needed to establish the baseline figure of AT&C loss of the project area through ring fencing by installation of boundary (import/ export energy meters). A steering committee has been constituted under the Secretary (Power) in order to sanction projects, monitor and review implementation, approve guidelines for operationalizing the components of the scheme. The steering committee has approved 1,344 projects for 22 states under Part 'A' at the cost of Rs.4,859.60 crore. 6 states, namely West Bengal, Madhya Pradesh, Rajasthan, Karnataka, Uttarakhand and Gujarat have awarded the work for implementation of projects approved under Part 'A' of the R-APDRP to the IT Implementing Agency.

R-APDRP also has provision for Capacity Building of Utility personnel and development of franchisees through Part 'C' of the scheme. The part 'D' of R-APDRP provides for payment of incentive for utility staff in towns where AT&C loss levels are brought below the baseline. *(Source : Economic Survey 2009-10, MoP)*

POLICY FRAMEWORK

Electricity is in the concurrent list of the seventh schedule of the Constitution of India and therefore the responsibility for the development of the power industry is with both - Central Government and the State Governments. Distribution of electricity, in particular comes in the domain of the states. The Electricity Act 2003 **(EA 2003)** provides the overall legislative framework for the sector.

MoP oversees the operation of all Central Sector Power utilities. The Central Electricity Authority (CEA) advises the MoP on electricity policy and technical matters. The government has constituted CERC to regulate the tariffs for the central power utilities and other entities with inter-state generation or transmission operations. The EA 2003 also requires state governments to set up State Electricity Regulatory Commissions for rationalization of energy tariffs and formulation of policy within each state. As of March 31, 2010 all the states except Arunachal Pradesh and Nagaland have set up their Regulatory Commissions. In addition, two Joint Electricity Regulatory Commissions have been set up for Manipur & Mizoram and Goa & UTs. So far, eighteen states have unbundled their electricity boards into Generation Companies, Transmission Companies and Distribution Companies.

The Electricity Act 2003 (EA 2003), National Electricity Policy (NEP) 2005 and Tariff Policy 2006 set the enabling framework for power development in the country. EA 2003 has promoted a liberal, transparent and enabling legal framework for power development for creation of a competitive environment and reforming distribution segment of power industry. It allows open access in transmission and distribution. It provides for regulatory oversight for fixation of tariff. Definition of theft was expanded to cover the use of tampered meters and their use for unauthorized purpose. Theft of power was made explicitly cognizable and non-bailable offence. **Rural Electricity Policy** was launched in August, 2006 to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households. **National Hydro Policy** was launched in fiscal 2008 allowing private producers to undertake hydro projects based on PPA route with a facility of merchant sale upto 40% from saleable energy from hydro plant.

RECENT POLICY INTITIATIVES IN POWER SECTOR

a) Distribution reforms modified under "Mega Power Project Policy"

On December 3, 2009, MoP notified that under Mega Power Project Policy, the condition of privatization of distribution by power purchasing states would be replaced by the condition that power purchasing states shall undertake to carry out distribution reforms as laid down by MoP.

b) Revision in "Mega Power Project" conditions

The following amendments have been made with regard to classification of a project as "Mega Power Project" and being eligible for the benefits under mega power policy:

I. Revision with regard to threshold capacity of the project -

   a) A thermal power plant of capacity of 1000 MW or more; or

   b) A thermal power plant of capacity of 700 MW or more located in the States of J&K, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura; or

   c) A hydel power plant of capacity of 500 MW or more; or

   d) A hydel power plant of a capacity of 350 MW or more, located in the States of J&K, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura.

II. Mega policy benefits extended to brownfield projects also subject to certain conditions.

III. Mandatory condition of inter-state sale of power for getting mega power status removed.

IV. Goods required for setting up a mega power project, would qualify for the fiscal benefits after it is certified by designated MoP official that (i) the power purchasing States have constituted the Regulatory Commissions with full powers to fix tariffs and (ii) power purchasing states shall undertake to carry out distribution reforms as laid down below:

   - Timely release of subsidy as per Section 65 of Electricity Act, 2003.
   - Ensure that Discoms approach SERC for approval of annual revenue requirement/tariff determination in time according to the SERC regulations.
   - Setting up special courts as provided in the Electricity Act 2003 to tackle theft related cases.
   - Ring fencing of State Load Dispatch Centres.

V. Mega Power Projects would be required to tie up power supply to the distribution companies/ utilities through long term PPA(s) in accordance with NEP 2005 and Tariff Policy 2006 as amended from time to time.

VI. No further requirement of ICB for procurement of equipment for mega projects if the requisite quantum of power has been tied up or the project has been awarded through tariff based competitive bidding.

VII. The present dispensation of 15% price preference available to the domestic bidders in case of cost plus projects of PSUs would continue. However, the price preference will not apply to tariff based competitively bid project(s) of PSUs.

c) Scheme for Supply of Power to Rural Households notified by MoP

MoP on April 27, 2010 notified that electricity will have to be supplied to households of the villages located in the areas which fall within 5 kilometer radius around Central Power Plants for minimum 6-8 hours on daily basis. The scheme covers all the existing and upcoming power plants of CPSUs. The cost of providing infrastructure is to be borne by the CPSUs to which the plant belongs and the same will be booked by the CPSUs as part of project cost. The scheme shall be implemented under the supervision of a nodal officer appointed by the State Utility. Separate transformers with suitable meters will be installed for accounting energy for supply of households, agriculture and industry by State Utility at their expense. The tariff for supply of electricity to these villages will be notified by the SERC. MoP shall allocate adequate power to the state utility for supplying to identified villages.

d) Inter-State trading margin regulations 2010

The CERC issued new regulations fixing trading margins for inter-state trading in electricity. The main features of the new regulations are:

- The trading margin shall apply only to short-term buy – short-term sell contracts for inter-state trading,
- Trading margin shall not exceed 4 paise per unit if the sell price of electricity is less than or equal to Rs.3 per unit. The ceiling of trading margin shall be 7 paise per unit in case the sell price of electricity exceeds Rs.3 per unit.
- If more than one trading licensee is involved in a chain of transactions, the ceiling on the trading margin shall include the trading margins charged by all the traders put together.
- Long-term agreements have been exempted from trading margins to facilitate innovative products and contracts for new capacity addition which involve higher risk in transactions.

e) CERC's 2009-14 Regulations

CERC tariff regulation for power generation and transmission for 2009-14 ensures certainty of RoE at base rate of 15.5% to be grossed up with normal tax rate as applicable to the concerned utility. There is an additional 0.5% RoE if projects are commissioned within given time-lines in addition to retaining contribution on account of efficient operation subject to certain conditions. In the year, in which the concerned utility pays Minimum Alternate Tax (MAT), the base rate will be grossed up by applying MAT rate. Other provisions of Regulation have been discussed elsewhere in this report.

f) New Indian Electricity Grid Code (IEGC) and amendments to Unscheduled Interchange (UI) regulations

CERC notified new IEGC effective from 3rd May, 2010. While the new Grid Code will facilitate larger integration of renewable energy sources with grid, the amended UI regulations will bring stricter grid discipline. To discourage states from overdrawing electricity from the grid, CERC increased the overdrawing charge to Rs 12.25 per unit. An additional unscheduled interchange (UI) charge of 40% on the normal UI rate of Rs 8.73 per unit will now become applicable when the frequency is below 49.5 Hz.

As a further deterrent on overdrawals, the additional UI charge rate will be 100% (on the normal UI rate) on overdrawals when the grid frequency is below 49.2 Hz instead of 49.5 Hz earlier.

OPPORTUNITIES AND THREATS

Opportunities

No slowing of demand for electricity

Although, the Indian power sector is one of the fastest growing sector in the world and energy availability has increased by around 36% in the past 5 years, the demand for power outstrips the supply. Nearly 60 crore Indians do not have access to electricity. The energy and peaking deficits have been hovering around double digits for the past two years. There is therefore ample scope for rapid capacity expansion. It is widely believed that the demand of power is understated and supply will also create further demand. Although, the peaking shortages have reduced over the years, however the energy deficits are expected to remain in double digits. Going forward, the peak deficit is expected to increase since only base load capacity is being planned and implemented.

Favourable environment to induce investment in power sector

100% FDI is allowed in Generation, Transmission and Distribution segments. Government of India has allowed Income-Tax holiday for a block of consecutive 10 years in the first 15 years of operation. Further incentives from Government include waiver of duties on capital equipment under mega-power project policy.

Government has taken a number of steps, including the enactment of Electricity Act (2003) and Securitisation of SEB dues to reform the power sector and to attract investments. Distribution reforms were brought under focus besides making theft of power a punishable offence. Further APDRP was launched to improve the T&D infrastructure in the country and electricity regulatory commissions have been set up at the state level to delineate tariff setting from extraneous influences. In addition, Government has taken a number of measures to encourage new capacity addition such as allowing non-discriminatory open access to transmission and distribution besides introducing setting up of new capacities on competitive bidding route. Govt. has also allowed developers to set up merchant power plants without entering into long term PPAs. Coal blocks have been allocated to power project developers to strengthen fuel security.

Ultra Mega Power Projects

Recognizing the fact that economies of scale leading to cheaper power can be secured though large size power projects, Govt. of India alongwith CEA and PFC has taken an initiative for the development of coal based Ultra Mega Power Projects (UMPPs) as pit head stations and coastal based stations each with a capacity of about 4000 MW using super critical technology under Public –Private Partnership mode. So far, 4 such projects have been awarded international competitive bidding route namely Sasan in MP, Mundra in Gujarat, Krishnapatnam in AP and Tilaiya in Jharkhand. As per Economic Survey 2009-10, one unit of 660 MW of the Sasan UMPP and two units of 800 MW each of the Mundra UMPP are expected to be commissioned in the 11th Plan. Government has decided to include an additional bidding qualification criterion stating that no bidding company or group may hold more than 3 UMPPs at the pre commissioning stage. The competitive bidding process for selection of developer for Surguja UMPP in Chattisgarh has also commenced during the year.

Green power: Opportunities in Renewable Energy Sources (RES) based Power generation

Even though RES account for only 9.74% of installed capacity, their share in the total energy basket is gradually increasing. Under the National Action Plan on Climate Change (NAPCC), Jawaharlal Nehru National Solar Mission is one of the eight National Missions launched by Govt. on January 11, 2010 with the twin objectives of contributing to India's long-term energy security and its ecologically sustainable growth. The Mission will be implemented in 3 stages leading to an installed capacity of 20,000 MW of grid power, 2,000 MW of off-grid solar applications and 20 million sq. m. solar thermal collector area and solar lighting for 20 million households by the end of the 13th Five Year Plan in 2022. The immediate aim of the Mission is to focus on setting up an enabling environment for solar technology penetration in the country and includes feeding 1,000 MW of solar power (solar thermal and photovoltaic) to the grid under the first phase by March 2013. Govt. of India has designated NVVN, a wholly owned subsidiary of NTPC as the nodal agency for the purchase of up to 1,000 MW of solar power commissioned by Fiscal 2013 under the National Solar Mission and sale after bundling an equivalent MW capacity from our stations.

EA 2003 requires SERCs to specify a percentage for purchase of electricity from cogeneration or renewable sources termed as Renewable Purchase Obligation (RPO). SERCs in 16 States have already specified the percentage– Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Kerala, Haryana, Maharashtra, Uttar Pradesh, West Bengal, Uttarakhand, Punjab, Chattisgarh, and NCT of Delhi. *(Source: Ministry of New and Renewable Energy)*

CERC has notified tariff regulations for electricity generated from renewable energy (RE) sources.

The Forum of Regulators has evolved a Renewable Energy Certificate (REC) mechanism at national level to facilitate inter-state transaction of RE sources. CERC has notified the regulation for implementing the REC framework. The REC mechanism is aimed at addressing the mismatch between availability of RE resources in a State and the requirement of the obligated entities to meet the renewable purchase obligation.

Threats

Slow investment in power sector

Although 100% FDI is permissible in power sector yet share of power sector in FDI is hovering around 18-19% of total infrastructure investment as compared to Telecom sector where it has increased to 47% during 2008-09.

FDI flows in infrastructure:

(US $ million)

	2007-08		2008-09	
	Amount	**%**	**Amount**	**%**
Power	968	19%	948.8	18%
Telecom	1,261.5	24%	2,558.4	47%
Others	2,949.3	57%	1,892.4	35%
Total	**5,178.8**		**5,399.6**	

The FDI inflow in power sector has improved during the year 2009-10 and was over USD 1.4 billion.

The reason for low FDI inflow in the power sector is that there is a lack of politico-administrative support on containment of commercial losses coupled with poor financial health of state utilities in addition to capped regulatory returns on equity. Delays in land, forest and environmental clearances resulting in cost escalation are other reasons for low inflow of FDI into power sector.

Constraint on Power Equipment manufacturing capacity

The capacity addition in the country has taken gigantic proportions compared to the earlier plan periods. The huge capacity addition programs entail the timely availability of power equipments – both the main plant as well as Balance of Plants like Coal Handling Plant, Ash Handling Plants, Water Treatment Plants, Cooling Towers and Cooling Water Systems etc. Despite the growing need of power, the capacity addition in the last three plan periods has been less than encouraging and one of the main reasons has been the lack of adequate power equipment manufacturing capacity in the country. In view of the huge requirement for power equipment the Government of India has taken various initiatives for encouraging the setting up / enhancement of manufacturing capability. The precondition of phased setting up of manufacturing capacity, by the suppliers of the Super Critical power equipment under the bulk tendering is a step in this direction. Several players have formed joint venture companies with global manufacturers and domestic power equipment suppliers are also enhancing their manufacturing capacity. Apart from the adequate manufacturing capacity, Technology absorption, adaptation and assimilation is also essential. Further, critical raw materials like Alloy Steel, Cold Rolled Grain Oriented (CRGO) steel etc. for forgings, castings, transformers etc. need to be developed indigenously matching with the quantum of capacity addition planned. There is also a need to develop adequate erection and construction agencies for executing civil and mechanical works and engineering consultants for engineering and design of various packages for meeting the requirements of huge capacity addition targets in the country.

High AT&C /T&D Losses

Aggregate Technical and Commercial (AT&C) loss captures technical, commercial losses in the network and also loss due to non realization of billed amount and is a true indicator of total losses in the system.

High technical losses in the system were primarily due to inadequate investments into system improvement works, which resulted in unplanned extensions of the distribution lines, overloading of transformers and conductors, and lack of adequate reactive power support. The commercial losses are mainly due to low metering efficiency, theft & pilferages. This may be eliminated by improving metering efficiency, proper energy accounting & auditing and improved billing & collection efficiency. Fixing of accountability of the personnel / feeder managers may help considerably in reduction of AT&C loss.

T&D (Transmission and Distribution) losses represent the difference in the amount of electricity supplied and the amount actually metered. The gap between average tariff and average cost of supply, which was historically high, has declined to around paisa 49 per kWh in 2006-07 (Rs.2.76/kWh less Rs.2.27/kWh). The tariffs for agricultural and domestic consumers is subsidised in most states.

AT&C losses currently exceed 29% for the country as a whole.

Country	AT&C losses
Japan	4%
USA	6%
China	7%
Brazil	17%
Pakistan	26%
India	29.24%

Source : Ministry of Finance, PFC Report

This issue is being addressed by Govt. through R-APDRP. AT&C losses are showing a declining trend and have come down from 38.86% in 2001-02 to 29.24% in 2007-08 *(Source : PFC).*

Strained commercial viability of State Power Utilities

As per the report of 13th Finance commission, during 2007-08 subsidies amounting to Rs. 16,950 crore were given to state utilities. The subsidies have persisted due to:

a) Inability of the state utilities to enhance operating efficiencies and reduce T&D losses adequately.

b) High cost of short term power purchases. Several utilities have not planned capacity addition in time and are relying on short term purchases at high rates (an average of Rs.7.31 per kWh as compared to Rs.4.52 per kWh in 2007-08). The inability to reduce T&D losses has increased the purchase levels and supply costs.

c) Due to lack of political will, there is an absence of timely tariff increase leading to increased gap in tariff and cost of supply resulting further in impaired utilities' operations.

Some states have not raised tariffs for the past eight to nine years in spite of increasing deficits. Tariff increase requirements to bridge the gap, even in the better performing states, are as much as 7 % p.a. on an average at the 2007-08 subsidy levels. In some of the poorly performing states the increase in tariff requirement is as much as 19 % p.a. and the same is very difficult to achieve. As a result, the net losses (financial losses & subsidies) of state T&D utilities are on the increase and are projected at the level Rs.68,643 crore for the year 2010-11 (being over 1% of GDP) and the same poses a high risk to their commercial viability.

Fuel Constraints

As per CEA, due to non availability of coal, the loss of generation was around 14.5 BUs. The power generation in India is predominantly based on coal, 70% of generation during 2009-10 was based on coal. This trend is likely to continue in the future. Almost 74% of domestic coal production is utilized for thermal power generation. The total coal production for the year 2009-10 was 526.6 MMT *(source: Monthly economic Report, March'2010, MoF).* India is the third largest producer of coal in the world. National energy requirement is expected to grow to almost 4 times of present level to 2 BMT/annum by 2030-31. The domestic coal production has to grow in the range rate of 7%-9% range in order to match with the growth in demand. This is a big challenge.

As per Coal India Ltd (CIL), as against demand of 732 MMT as at the end of 11th plan, the supply is expected to be of the order of 628 MMT(as against Planning Commission's forecast of 680 MMT) leaving a shortfall of 104 MMT. The shortfall in supply is made good by importing 59 Million Tonnes of coal during 2008-09 *(Source: Economic Survey 2008-09).* The indigenous coal supply has to be augmented to match the growth in power sector since most of the thermal plants may not use coal blended with more than 15% of imported fuel because of the design of the boilers. Imported coal is also subjected to wide price fluctuations.

Slow development of coal mines allocated to Power Developers

In order to augment coal resources, the government is promoting captive block allocation to match rising demand. So far, 208 coal blocks, with geological reserves of 50 BMT have been allocated to public and private companies for captive and commercial mining. However, less than 20 of these coal blocks have started production and it is expected that they will contribute to about 21 MMT of coal production during 2010-11. The coal ministry has issued 40 show cause notices and allocations of 7 coal mines have been cancelled. The development of coal mines has been delayed primarily due to delay in site exploration and signing of mining lease for appointment of contractors and also delay in environment clearances.

Slow Diversification of Fuel basket

With the total coal reserves assessed in the country at 267 BMT, (proven reserves of around 106 BMT), the known coal reserves are expected to exhaust in about 45-50 years, assuming an annual growth in domestic consumption of 5% as per Integrated Energy Policy issued by Planning Commission. Going forward, coal will remain the mainstay for power generation in India and the share on coal based stations for power generation is expected to be in the range of 75%-78%. However, it would be a challenge to diversify the fuel basket to reduce uncertainties in energy supply.

- Hydro based power generation

India is endowed with an estimated hydro power potential of more than 150,000 MW. However, installed capacity of hydro electric projects is only 36,863 MW contributing to only 23.13% of the fuel basket. Hydro- electric power contributed 13.83% of total generation during last fiscal. No capacity addition took place in hydro sector during 2009-10 and it is expected that the 11th plan achievement will also be around 50% of the target. Private sector accounts for only about 3 per cent of the installed capacity. However, the share of private sector in hydro capacity is slated to grow. There are 14 schemes with an installed capacity of 4,383 MW under construction in the private sector. Private developers have been allotted 129 schemes with an installed capacity 36,123 MW by States which are yet to be taken up for construction.

The share of hydro generation is low since these projects are dependent on the rain fall and are used primarily to meet peaking demand. The hydroelectric potential has been given thrust by government of India by launching New Hydro Power Policy 2008 offering incentives to investors in order to increase the installed capacity of hydro projects to over 50,000 MW by 2012.

(Source: Economic Survey 2009-10)

- Nuclear based power generation

At present the installed nuclear power capacity in the country is only 4560 MW which is about 3% of the total power generating capacity. India, though, has limited Uranium reserves; it has the second largest deposits of Thorium in the world. India's three stage nuclear power programme envisages increasing the role of nuclear power for the national development. The first stage of this programme with setting up of Pressurized Heavy Water Reactors (PHWR) is already in the commercial domain. The second stage of this programme comprises setting up of Fast Breeder Reactors (FBR) and the third stage will be based on Thorium Reactor Technology. With the development of Thorium based technology, role of nuclear power will increase significantly in the future. Looking at the technological development, the energy security, the absence of Green House Gases (GHGs) and the economics of nuclear power, Government of India has planned to have a nuclear power capacity of 20,000 MW by the year 2020 and about 60,000 MW by the year 2030.

- Renewable Energy Sources (RES) based Power generation

The share of RES based capacity to total installed capacity in India has increased gradually from 8% in 2007-08 to 9.74% in 2009-10. Although there is immense potential for growth of RES based power generation in the country, the challenges in formulating future energy policies are too many. The new technologies used in this sector are faced with market acceptability and credibility problems.

Power generation from RES increases the uncertainty in accurate availability of power which in turn affects grid reliability and operations.

Further, the cost-competitiveness of renewable technologies vis-a-vis conventional systems is another issue that requires to be tackled. The high capital cost of RES based power generation is the biggest market barrier for increasing share of generation.

OUTLOOK

Power sector in India is poised to have a CAGR of 9.0%-9.8% upto end of 12th Plan and hence offers multiple opportunities of growth to public as well as private sector entities so as to achieve Govt's objective of "power for all". The main features of India's power generation programme would be:

- To continue rapid capacity addition
- To augment indigenous power equipment manufacturing capacity
- To reduce uncertainties of supply of energy
- To reduce price vulnerability
- Minimize the risks arising out of equipment failures
- Diversification of its fuel basket

We attempt to give some more details concerning certain aspects of the sector and the Company by way of information and analysis.

NTPC VIS–A-VIS ALL INDIA

With approximately 20% of capacity, your Company contributes to around 30% of country's generation.

	All India	NTPC	% share
Capacity (MW)	159,398	28,840	18.09%
Generation (MU)	771,551	218,839	28.36%
Capacity incl. JVs (MW)	159,398	31,704	19.89%
Generation incl. JVs (MU)	771,551	230,007	29.81%

Source: All India Data - CEA's executive summary

Your Company is the largest utility in Asia and 8th largest amongst listed global utilities as per Forbes Global 2000 ranking published in the year 2010. It has also been ranked No.1 Independent Power Producer in Asia and No.2 Independent Power Producer Globally in Platts Top 250 Global Energy Company for 2009. It has also been ranked as the 10^{th} largest electricity producer in the World and 3^{rd} largest in Asia based on its generation during 2008-09. It is also ranked as 341^{st} largest company in the world in the Forbes Global 2000.

Over the last fiscal, operationally NTPC stations performed better than collective performance of any other sector.

PLF COMPARISON (%)

	2009-10	2008-09	Increase
Central sector	85.49	84.30	1.19
State sector	70.90	71.17	-0.27
Pvt sector	83.88	91.01	-7.13
National avg.	77.53	77.27	0.26
NTPC	**90.81**	**91.14**	**-0.33**

After excluding your Company's PLF, national average PLF will reduce to 73% approximately during fiscal 2010 as compared to 72.23% approximately during last fiscal.

National Availability Factor for coal stations was 85.45% during fiscal 2010 as compared to 85.04% last year. As against national AVF, your Company's coal stations had AVF of 91.76% during fiscal 2009 as compared to 92.23% last year.

COMPETITION

Due to the gap between demand and supply in the Indian power sector, there has generally been a stable market for power generation companies in India. NTPC is the largest power generating company in the country having a market share of approximately 18% in terms of installed capacity and about 28% in terms of national generation. The Maharashtra State Power Generation Company Ltd with an installed capacity of 11,330 MW with market share of 7.1% is the next largest entity.

The share of private sector capacity has increased to 29,041 MW as of March 31, 2010 and going forward the same is expected to increase even more aggressively as is evident from capacity added during 11th plan so far. Private sector has contributed to around 12.14% to total electricity generation in the year 2009-10 as compared to their share of 9.5% in the previous year.

EA 2003 and other reforms in the power sector provide opportunities for increased investment in power generation. Specifically, non-discriminatory open access regulations of state regulatory commissions which enable generators to sell directly to bulk consumers, have made investment in power generation more viable.

Further, the Tariff Policy issued in January 2006 provides that all future requirements of power should be procured through tariff based competitive bidding by distribution licensees. There are exceptions in the tariff policy for cases of expansion of existing projects or where there is a state controlled or state-owned company as an identified developer and where tariff is regulated.

The Competitive Bidding Guidelines have created a level playing field for both CPSUs and private sector developers to participate in the tariff based bidding process for securing power projects including coal based ultra mega power projects. This competition is likely to increase further in future.

With proven in house engineering capabilities built in the past and wide ranging experience of project execution, we are confident that we shall be able to retain our leadership position in the industry and are on our way to become 75000 MW plus company by 2017. Further, our high operational efficiency enables us to sell power at competitive prices and achieve savings. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

RISKS AND CONCERNS

The Company has to sustain its leadership position in the country by growing at an appropriate rate and at the same time improve its operational efficiency to continue to generate at high PLF minimizing the outages. In order to reduce dependence on conventional fuel, the Company is foraying into hydro, nuclear and non-conventional energy sources. As a step in backward integration, the Company is entering into coal mining business and also LNG value chain.

To sustain its leadership position in the country and befitting its "Maharatna" stature, the company has drawn an ambitious Corporate Plan up to the year 2032 with diversified power generation portfolio based on thermal, hydro, nuclear and renewable energy sources. Though our growth strategies are built upon the inherent strengths of the company, various activities undertaken to achieve the targets make us susceptible to various risks. We recognize and realize that risks are not merely the hazards to be avoided but in many cases offer opportunities which create value ultimately leading to enhancement of shareholders' wealth.

To effectively manage the risks associated with our business, we have taken adequate measures to institutionalize risk management process in the company by implementing an elaborate Enterprise Risk Management (ERM) framework. As part of implementation of the ERM framework, an Enterprise Risk Management Committee (ERMC) has been constituted with Executive Directors representing geographically dispersed regions and core functions of the company. ERMC, as owner of Enterprise Risk Management framework has been entrusted with the responsibility to identify and review the risks and formulate action plans and strategies for risk mitigation on short-term as well as long-term basis. The ERMC has identified key areas out of which following have been classified as the top risks for the company:

- Inconsistent fuel supply
- Delay in execution of projects
- Risks related to coal mining and coal washeries
- Risks pertaining to Hydro Projects
- Hindrances in acquisition of land
- Non compliance with environmental, pollution and other related regulatory norms including Ash Utilization
- Inability to attract and retain skilled employees

These areas are being regularly monitored through reporting of key performance indicators of identified risks and exceptions with respect to risk assessment criteria are being reported to the top management. The ERMC meets every quarter to deliberate on mitigating strategies. So far, eight such meetings of ERMC have been held.

On the above issues, a number of initiatives have been taken such as establishing a state of the art Project Monitoring Centre at Delhi. PMC provides milestone based project monitoring, real time network updation, real time video capture apart from latest video conferencing facility leading to speedy resolution of critical issues, review of project progress by top management alongwith chief executives of major agencies. As regards augmentation of fuel supply, a three pronged strategy is in place- spot purchase of coal/gas, coal imports and production of coal by acquiring coal mines in India or abroad. As regards other risks, appropriate actions are taken for their mitigation.

INTERNAL CONTROL

Your Company has robust internal systems and processes in place for smooth and efficient conduct of business and complies with relevant laws and regulations. A comprehensive delegation of power exists for smooth decision making. Elaborate guidelines for preparation of accounts are followed consistently for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in close co-ordination with Company's own Internal Audit Department. Besides, the Company has two Committees of the Board viz. Audit Committee and Committee on Management Controls to keep a close watch on compliance with Internal Control Systems.

A well defined Internal Control Framework has been developed identifying key controls and supervision of operational efficiency of designed key controls by Internal Audit. The framework has been partially rolled out and tested at some of the locations. The system provides elaborate system of checks and balances based on self assessment as well as audit of controls conducted by Internal Audit at process level. Gap Tracking report for testing of controls for design efficiency and operating efficiency has been reviewed by Audit Committee and action has been taken to further strengthen the Internal Control System by further standardizing systems and procedures. The system presents a written assessment of effectiveness of company's internal control over financial reporting by the process owners, project/office heads to facilitate certification by CEO and CFO and enhances reliability of assertion.

FINANCIAL DISCUSSION AND ANALYSIS

A detailed financial discussion and analysis is furnished below on Reported Audited Financial Statements and Adjusted Profit. The Adjusted Profit has been arrived at after adjustments on account of one-off items/extra ordinary items which have been indicated against each broad category of revenue and expense to explain better the year on year (YoY) performance.

A Results of Operations

1 Gross Income

		Fiscal 2010	Fiscal 2009	% Change
	Units of electricity sold (million units)	**205091**	**193688**	**5.89%**
	Income	**Amount in Rs.Million**		
1	Energy Sales (Excl Electricity Duty)	461,687	417,913	10.47%
2	Energy Internally Consumed	551	514	7.20%
3	Consultancy & other services	1,539	1,325	16.15%
4	Other income (excluding income related to OTSS*)	18,571	21,063	-11.83%
5	Income related to OTSS *	9,991	11,476	-12.94%
6	**Total (4+5)**	**28,562**	**32,539**	**-12.22%**
	Gross Income (1+2+3+6)	**492,339**	**452,291**	**8.85%**

*OTSS-One Time Settlement Scheme

The gross income of the Company comprises of income from sale of electricity, consultancy and other services, and interest earned on investments such as term deposits, mutual funds and bonds (issued under one-time-settlement scheme). The gross income for fiscal 2010 is Rs.492,339 million as against Rs.452,291 million in the previous year registering an increase of 9%. This gross income excludes provisions written back. Each element of income is discussed below:

Tariffs for computation of Sale of Energy

The charges for electricity are based on tariff rates determined by the CERC. The tariff rates consist of a capacity charge for recovery of annual fixed cost based on plant availability, energy charges for recovery of fuel costs and an unscheduled interchange charge for the deviation in generation with respect to schedule payable (or receivable) at rates linked to frequency prescribed in the regulation to bring grid discipline. The CERC sets tariff rates on a plant-by-plant basis in accordance with the tariff regulations/ norms notified by them. CERC has issued new Tariff Regulations for the period 2009-14, Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, which is a balanced regulation for both consumers and investors.

Capacity Charge

The capacity charge for making plant capacity available is allowed to be recovered in full if plant availability is at least 85%. If the availability of the plant is lower than 85%, the capacity charges are recovered on a pro rata basis. The significant elements of the capacity charges permissible under the Tariff Regulations 2009 are:

- Return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the normal tax rate as applicable for the respective year on a prescribed 70:30 debt to equity ratio for new projects. For projects commissioned on or after April 1, 2009, there is an additional return of 0.5% if the new projects are completed within the timeline specified in the 2009 Regulations. In the year, in which the concerned utility pays Minimum Alternate Tax (MAT), the base rate will be grossed up by applying MAT rate.
- Interest cost incurred on normative debt at weighted average rate of interest on loan portfolio of the project
- Interest on working capital determined on a normative basis
- Depreciation up to 90% of capital costs, excluding the cost of freehold land, based upon the rates of depreciation prescribed in the regulation, for a 12 year period from the date of commercialization. The remaining depreciable value thereafter, is to be spread over the balance useful life of the assets.
- Normative operation and maintenance costs determined by the CERC based on capacity of unit, on a per megawatt basis.
- Normative secondary fuel oil costs for coal-based stations.
- Special allowance per annum per MW for plants in operation beyond their useful life in lieu of recovery for capital expenditures on renovation and modernization.
- Compensation allowances on a per annum per MW basis to meet expenses on new capital assets, including minor capital assets, after 10 years of commercial operation.

Energy Charges

Energy charges for the electricity sold are determined on the basis of landed cost of fuel applied on the quantity of fuel consumption derived on the basis of norms for heat rate, auxiliary consumption, specific oil consumption etc.

Other Charges

Besides the capacity charges and the energy charges, the other elements of tariff are:

- Cost of hedging interest on and repayment of foreign currency loans and exchange rate fluctuations for unhedged portion of interest on and repayment of foreign currency loans on a normative basis.

- The unscheduled interchange charge payable (or receivable) at rates notified by the CERC from time to time.

For the fiscal 2009, our tariffs were determined pursuant to the CERC's Tariff Regulations, 2004 while for fiscal 2010, Tariff Regulations, 2009 are applicable. In the new regulations the following changes have been made as compared to Tariff Regulations, 2004:

Key changes over Tariff Regulations 2004-09

- Pre-tax return on equity (ROE) to be computed by grossing up post-tax ROE of 15.50% p.a. (base rate) for existing stations with the applicable tax rate (with the tax to be borne by the company) as against post-tax ROE of 14% p.a. in old regulations (with tax on generation income as a pass through). The concept of grossing up of ROE by MAT introduced, in case a utility pays MAT.
- Secondary oil component of 2 ml/kwh which was a part of variable charges has been reduced in the new regulations to 1 ml/kwh and has been made part of fixed charges with the condition that savings made, if any, are to be shared with beneficiaries equally.
- Full capacity (fixed) charges to be recovered at 85% normative plant availability factor as against 80% under old regulations.
- Incentive of Rs.0.25 per unit for more than 80% Plant Load Factor in old regulations has been done away with and in new regulations, recovery of fixed charges has been made proportionate to the availability factor. Thus, incentive/disincentive are a part of the fixed charges in the new Regulations.
- O&M charges have been increased considering the inflation, employees' wage revision etc. and are available on a normative basis on per MW capacity of stations.
- Deprecation which was being allowed at rates specified by CERC till the repayment of normative loan and thereafter spread over useful life of assets in old regulations is now to be given as per the rates provided in new regulations in the initial 12 years and thereafter spread over the balance useful life of the assets.
- Advance against Depreciation (AAD) which was provided under old regulations has been done away with, in new regulations.
- Many of the operating parameters like heat rate, allowed auxiliary consumption etc. have been tightened.

During fiscal 2010, final tariff orders for the period 2004-09 have been issued for unit 1 and 2 of Sipat-II. Thus, under Tariff Regulations, 2004, tariff orders have been issued for all the stations except for unit 1 and 2 of Kahalgaon-II declared commercial during fiscal 2009 and NCTPP unit 5 & Kahagaon-II unit 3 which were declared commercial during fiscal 2010. Tariff orders are yet to be issued for all the stations under CERC Tariff Regulations 2009-14.

Sale of Electricity

Your Company sells electricity to bulk customers comprising, mainly, electricity utilities owned by State Governments. Sale of electricity is made pursuant to long-term Power Purchase Agreements (PPAs) entered into for 25 years in case of most of our coal-fired plants and for 15 years in case of most of gas-fired plants in line with the estimated average life of the plants. The actual lives of the stations are often longer and unless, customer ceases to draw power, contracts continue to be in force until they are formally extended, renewed or replaced. With the issuance of CERC Tariff Regulation 2009, the estimated average life of the gas stations is also estimated as 25 years. Hence, the long-term power purchase agreements for new gas stations hence forth will also be for the same period.

Income from sale of electricity for the fiscal 2010 was Rs.461,687 million which constituted 94% of the gross income. The income from sale of electricity has increased by 10% over the previous year's income of Rs.417,913 million. The increase is mainly on account of 5.89% increase in units sold partly due to increase in the commercial capacity by 990 MW comprising unit 5 of 490 MW of NCTPP Stage-II w.e.f. 31.01.2010 and unit 7 of 500 MW of Kahalgaon Stage II w.e.f. 20.03.2010 and partly due to higher generation from gas stations due to improved gas supply. Sale of electricity is also higher on account of unit 1 & 2 of 500 MW each at Sipat-II and unit 5 & 6 of 500 MW each at Kahalgaon-II being in commercial operation for the entire fiscal 2010 as compared to part of fiscal 2009.

Tariff Regulations, 2009 provide that the company shall continue to provisionally bill the beneficiaries with the tariff approved by the CERC and applicable as on 31st March, 2009 till approval of tariff in accordance with these Regulations. The tariff petitions have been made to CERC for all stations under Tariff Regulations, 2009. Pending determination of station-wise tariff by the CERC, sales of Rs.444,739 million for fiscal 2010 have been recognized on provisional basis (explained in note 2(a) of Notes on Accounts, Schedule-26).

For the units commissioned during fiscal 2010, namely, unit 7 of Kahalgaon, Stage II and unit 5 of NCTPP, Stage-II, CERC is yet to issue final tariff orders. Accordingly, sales of Rs.17,354 million for fiscal 2010 relating to these units/

stations have been recognized on provisional basis (explained in note 2(b) of Notes on Accounts, Schedule-26). It is pertinent to mention that unit 5 (490 MW) of NCTPP, Stage-II has commenced commercial operation within the normative schedule given by CERC and is eligible for additional 0.5% Return on Equity as per Tariff Regulations, 2009.

While revising the rates of depreciation and removing the provision for Advance Against Depreciation (AAD), CERC Tariff Regulations, 2009 also provide that the balance depreciable value of the each of the existing stations as on 1st April, 2009 shall be worked out by deducting the cumulative depreciation including AAD as admitted by the CERC up to 31st March 2009 from the gross depreciable value of the assets thereby merging AAD with depreciation for tariff recovery. Accordingly, the accounting policy relating to AAD has been revised (please refer to Accounting Policy no. 12.1.2) and the amount of AAD required to meet the shortfall in the component of depreciation in revenue over the depreciation to be charged off in future years has been assessed station-wise and wherever an excess has been determined as on 1st April 2009, the same has been recognised as sales during the year amounting to Rs.3,115 million. In addition, Rs.53 million has been recognised as sales during the year out of AAD consequent to this change (explained in note 17(a) of Notes on Accounts, Schedule-26).

As per Tariff Regulations, 2009, the deferred tax liability for the period up to 31st March 2009 whenever it materializes shall be recoverable directly from the beneficiaries. Accordingly, the deferred tax liability recoverable from beneficiaries has been computed by identifying the major changes in the deferred tax liability/asset and an amount of Rs.2,485 million has been included in sales (explained in note 2(d) of Notes on Accounts, Schedule-26).

If the income tax/deferred tax recoverable from or payable to beneficiaries is excluded from income from sale of electricity (pl. refer to Sch.17), it has increased by 14% over last fiscal.

Rs.million

	Fiscal 2010	Fiscal 2009	% Change
Energy Sales (Excl Electricity Duty)	461,687	417,913	10%
Less: Tax Recoverable from customers	-7,199	7,583	
Less: Deferred tax recoverable from customers	2,485	-	
Energy Sales (Excl Electricity Duty and tax recoverable from customers)	466,401	410,330	14%

The average selling price this year has increased to Paise 227.41 per kWh compared to Paise 211.85 per kWh in the previous year. The increase is mainly due to increase in fixed charges consequent upon change in CERC norms w.e.f 01.04.2009. The average tariff includes adjustments pertaining to previous years. Excluding adjustment of sales pertaining to previous period, the average selling price would be 226.83 p/Kwh in the current year as against 206.63 p/Kwh in the previous year.

There has been 100% realization of the dues during the last seven years. All the beneficiaries have opened and are maintaining Letter of Credit equal to or more than 105% of average monthly billing as per One-Time Settlement Scheme (OTSS). In order to ensure prompt and early payment of bills for supply of energy to beneficiaries, your company has formulated a Rebate Scheme by way of providing graded incentive for early payment based on the provisional bill raised on the last working day of the month.

Under OTSS, tri-partite agreements are valid up to 31st October, 2016. For the period beyond October 2016, the supplies which will be made to state utilities, the same shall be covered by an escrow arrangement. The supplementary agreements have been signed with all state utilities which have a provision of keeping a first charge on their revenue streams for supplies made by your company. Under the Supplementary Agreement, the state utilities have agreed to provide payment security through execution of the Hypothecation Agreement and the Default Escrow agreement. Further, this will be over and above the LC requirement of 105% of average monthly billing.

Energy Internally Consumed

Energy internally consumed relates to own consumption of power for construction works at station(s), township power consumption etc. It is valued at variable cost of generation and is shown in sales with a debit to respective expense head under power charges. The increase in energy internally consumed is 7% which is lower than increase in fuel charges over the previous year.

Consultancy and other services

Accredited with an ISO 9001:2000 certification, the Consultancy Division of your Company undertakes the consultancy and turnkey project contracts for domestic and international clients in the different phases of power plants viz engineering, project management, construction management, operation and maintenance of power plants.

During the year, Consultancy Division posted an income of Rs.1,513 million as against Rs.1,313 million achieved in the last fiscal. In the fiscal 2010, it has recorded a profit of Rs.557 million as against Rs.452 million in the last fiscal. A total of 53 orders valued at Rs.2,511 million were secured by the Division during the year including 4 overseas assignments of Rs.266 million.

Other Income

'Other income' mainly comprises of income from bonds issued under OTSS, income from investment of surplus cash, dividend on equity investment in joint ventures & subsidiaries and miscellaneous income.

'Other income' in fiscal 2010 was Rs. 28,562 million as compared to Rs.32,539 million in the fiscal 2009. Broadly the break up of other income is as under:

Rs Million

	Fiscal 2010	Fiscal 2009
Interest for the year on tax free bonds /Loan to State Govt.	9,991	11,476
Income on investment of surplus cash	13,447	15,909
Dividend/Income from mutual funds	654	361
Dividend from JVs and Subsidiaries/Interest from subsidiaries	208	180
Income earned on other heads such as hire charges, profit on disposal of assets, etc	4,707	3,096
Total	**29,007**	**31,022**
Interest on IT refund (non-recurring)		2,199
Total	**29,007**	**33,221**
Less: Transfer to EDC/ development of coal mines	379	414
Less: Transfer to Deferred Foreign Currency Fluctuation Liability	66	268
Net other income	**28,562**	**32,539**

Interest income from OTSS bonds (including loan to State Government) for fiscal 2010 is Rs.9,991 million as compared to Rs.11,476 million in fiscal 2009.The reduction in interest income to the extent of Rs.1,485 million is due to redemption of OTSS bonds amounting to Rs.16,515 million and repayment of loan amounting to Rs.957 million in lieu of settlement of dues. We have earned income of Rs.13,447 million during fiscal 2010 on account of investments made from surplus cash as against Rs.15,909 million earned last year. The income on investment of surplus cash has registered a 15% decrease over last fiscal mainly due to reduction in interest earnings due to low interest rate regime. However, the dividend earned from investments made in mutual funds has registered a 81% increase from Rs.361 million to Rs.654 million.

We have earned Rs.173 million as dividend from our investments in joint venture and subsidiary companies. Another Rs.35 million has been earned as interest from loan of Rs.263 million extended to Kanti Bijlee Utpadan Nigam Limited, one of our subsidiaries. Further, an amount of Rs.4,707 million has been earned from various other sources consisting of miscellaneous income of Rs.2,254 million, surcharge received from customers on late payment as per CERC regulations amounting to Rs.623 million and interest of Rs.196 million earned from loan of Rs.1,417 million extended to Ratnagiri Gas and Power Private Ltd. etc.

During fiscal 2009, Commissioner of Income Tax (Appeals) had issued a favourable decision on certain issues relating to previous years consequent to which net tax refund of Rs.2,400 million was payable to your company and the interest earned on this refund amounting to Rs.2,199 million had been accounted under "other income".

Adjusted Gross Income

The gross income reported for the year includes certain revenues pertaining to previous years. The revenue from sale of electricity for fiscal 2010 is reduced by Rs.6,006 million pertaining to previous years which have been recognized in sales based on the orders of the CERC / Appellate Tribunal (explained in note 2(c) of Notes on Accounts, Schedule-26). This reduction in sales is on primarily on account of income tax pertaining to previous year amounting to Rs.7,199 million payable to the beneficiaries. If this income tax element is excluded from total reduction of Rs.6,006 million, the balance amount of Rs.1,193 million represents sales pertaining to previous years which have been included in sale of electricity for fiscal 2010. Similarly, for fiscal 2009, an amount of Rs.10,201 million pertaining to previous years was included in the sales.

As per our accounting policy (please refer to Accounting Policy no. 12.1.3), foreign exchange variation on restatement of foreign currency loans as at the Balance Sheet date which is payable/recoverable to/from customers later on settlement as per CERC Regulations is accounted for by creating a deferred liability/asset in the accounts instead of adjusting the same in the profit & loss account. Accordingly, Deferred Foreign Exchange Fluctuation Asset of Rs.319 million on account of exchange differences recoverable from customers has been created with corresponding credit to sales during fiscal 2010 as against Rs.1,894 million accounted in previous year.

In addition, interest earned on income tax refund amounting to Rs.2,199 million had been adjusted as one-off item during fiscal 2009.

The gross income of the company after such adjustments is as under:

Rs Million

	Fiscal 2010	Fiscal 2009
Gross Income	**492,339**	**452,291**
Less:		
Sales of previous years	1,193	10,201
Exchange Fluctuation receivable from customers	319	1,894
Interest on IT refund	-	2,199
Adjusted Gross Income	**490,827**	**437,997**

2 Expenditure

2.1 Expenditure related to operations

Rs.Million

Expenditures	Fiscal 2010	Rs per kwh	Fiscal 2009	Rs per kwh
Commercial Generation -MU	218,439		206,156	
Fuel	294,628	1.35	271,107	1.32
Employees' remuneration and benefits	24,124	0.11	24,631	0.12
Generation, administration and other expenses	20,940	0.10	18,192	0.09
Total	**339,692**	**1.56**	**313,930**	**1.53**

The expenditure incurred on fuel, employees, generation, administration and other expenses for the fiscal 2010 was Rs.339,692 million which is 8% more than the expenditure of Rs.313,930 million incurred during the previous year. In terms of expenses per unit of power produced, it was Rs.1.56 per unit in fiscal 2010 in comparison to Rs.1.53 per unit in the previous year. This increase is mainly due to increase in cost of coal and increase in operation and maintenance expenses. The increase in commercial generation due to additional capitalization has resulted in an additional operational expenditure of Rs.10,917 million. A discussion on each of these components is given below.

2.1.1 Fuel

Expenditure on fuel constituted 87% of the total expenditure relating to operations as compared to 86% in previous year. Expenditure on fuel was Rs.294,628 million in fiscal 2010 in comparison to Rs. 271,107 million in fiscal 2009 representing an increase of 9%. The break-up of fuel cost in percentage terms is as under:

	Fiscal 2010	Fiscal 2009
Fuel cost (Rs./million)	**294,628**	**271,107**
	% break-up	
Coal	76%	70%
Gas	14%	15%
Oil	5%	10%
Naphtha	5%	5%

The higher fuel expenses were mainly on account of increase in cost of coal partly due to increased consumption resulting mainly from additional capitalization of 990 MW and partly due to increase in price of coal. Coal India Limited (CIL) and SCCL increased the prices of coal by about 10%-15% w.e.f. 16.10.2009 and 30.12.2009 respectively depending upon grade of coal. Also, the stations generally consumed a greater proportion of costlier imported coal in fiscal 2010 than in fiscal 2009. However, there has been decrease in the price of gas and oil during fiscal 2010. Fuel cost per unit generated increased to Rs.1.35 in fiscal 2010 from Rs.1.32 in fiscal 2009. The increase in fuel cost due to addition of commercial capacity is Rs.8,633 million.

The power plants of the company use coal and natural gas as the primary fuels. Oil is used as a secondary fuel for coal-fired plants and naphtha as an alternate fuel in gas-fired plants. Under the tariff norms set by the CERC, your Company is allowed to pass on fuel charges through the tariff, provided the company meets certain operating parameters. The company purchases coal under the long term coal supply agreements with subsidiaries of Coal India Limited (CIL) and with Singareni Collieries Company Limited (SCCL). A model Coal Supply Agreement (CSA) was signed with CIL on May 29, 2009. Based on the revised model CSA, coal agreements have been signed with the various subsidiary coal companies of CIL by the various coal based stations except Farakka and Kahalgaon. The CSA for Ramagundam with SCCL is in an advanced stage of finalization (explained in note 10 of Notes on Accounts, Schedule-26).

As per the provisions of the new CSA, the CSA is valid for 20 years and has a provision for review after every 5 years. The annual quantity envisaged to be supplied to the existing power stations against the various CSAs is 98.7 million tonnes. The CSAs contain a provision for payment of incentive/levy of penalty to/from coal companies on supplies in excess of 90% of the Annual Contracted Quantity (ACQ).

In an effort to encourage coal companies to supply Annual Contracted Quantity (ACQ), new CSA provides for incentive payments as a percentage of Weighted Average base price of coal in the following three slabs:

Supplies in the range of	Rate of Incentive
90%-95% of the ACQ	10%
95%-100% of the ACQ	20%
Supplies exceeding ACQ	40%

CSA also contains clauses of penalty for under supply/ under off-take by coal companies and power plants respectively. The price and other charges for coal, as per new CSA, will be as notified by CIL for its subsidiary companies from time to time.

During the fiscal 2010, coal based stations consumed 135.10 Million Tonnes of coal as against 129.49 Million Tonnes in the fiscal 2009.This was including 6.76 Million Tonnes of coal which was imported as compared to 4.71 Million Tonnes imported in fiscal 2009.

In order to ensure uninterrupted supply of coal to its power stations, your company during fiscal 2010 resorted to sourcing of coal through e-auction and bilateral arrangements. Your company participated in 23 e-auctions conducted by the subsidiary companies of CIL and procured 0.58 Million Tonnes of coal for Farakka & Kahalgaon. A bilateral agreement was reached with Eastern Coalfields Limited (ECL) for supply of 2 Million Tonnes of coal to Farakka and Kahalgaon projects. In addition, bilateral agreements were entered with SCCL for supply of one Million Tonne to Farakka and Kahalgaon project, one Million Tonne to NCTPP and Sipat project and 2.5 Million Tonnes to Ramagundam project.

The company sources gas domestically under an administered price and supply regime. The main gas supplier is GAIL. Gas prices are fixed by the Ministry of Petroleum and Natural Gas. 13.88 Million Metric Standard Cubic Meters per Day (MMSCMD) of gas was received during the fiscal 2010 as against 10.75 MMSCMD received in fiscal 2009. This includes 3.88 MMSCMD of spot gas and fall back RLNG as compared to 2.02 MMSCMD received last year. The increased gas supply has resulted in the increased PLF of gas stations to 78.38% during fiscal 2010 as compared to 67.01% last year.

The gas supply for fiscal 2010 also includes 0.35 MMSCMD of KG D6 gas. Government of India has allocated 4.46 MMSCMD of KG D6 gas for company's National Capital Region (NCR) stations of Anta, Auraiya, Dadri and Faridabad. Gas Supply and Purchase Agreements (GSPA) have been signed for the supply of 0.61 MMSCMD which was subsequently revised to supply of 1.81 MMSCMD. The supplies have started for 0.61 MMSCMD from 01.11.2009 and 1.81 MMSCMD from 25.02.2010.The supplies of balance 2.65 MMSCMD of this gas are expected to start as soon as the GAIL's pipeline capacity is made available.

To meet the shortfall in supply of Natural Gas from GAIL, the Company sought supplies of RLNG on limited tender basis from all the known gas suppliers in the country. These supplies are being contracted on best effort basis with no penalty either on the supplier or the buyer for supplies not offered / not off taken. During fiscal 2010, supplies to the extent of 887 MMSCM were received from the various suppliers. Further, supplies were also received from GAIL/IOCL/ BPCL on "fall back" basis to the extent of 529 MMSCM. Thus, the total consumption of RLNG during the year was 1416 MMSCM.

In order to meet the gas requirements of its NCR power stations, your company had signed RLNG agreement with GAIL for supply of a firm quantity of 2.0 MMSCMD of RLNG (with supplies of additional 0.5 MMSCMD on fallback basis) for a period of 10 years. The supplies under this agreement have started from 01.01.2010.

Rajiv Gandhi Combined Cycle Power Project (RGCPP), Kerala generates power on naphtha as no gas supply is available. Besides RGCPP, other gas based stations also used Naphtha depending upon the demand from customers and schedule from load dispatch centres. During the fiscal 2010, 0.578 million MTs of naphtha was consumed as against 0.923 million MTs in the previous year.

2.1.2 Employees' Remuneration and Benefits

Employees' remuneration and other benefits have reduced by 2% from Rs. 24,631 million in fiscal 2009 to Rs.24,124 million in fiscal 2010. Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. These expenses account for approximately 7% of our operational expenditure in fiscal 2010 as compared to 8% in fiscal 2009.

The main reason for reduction in employee cost is the additional provision of Rs.4,144 million that was made towards gratuity/pension during fiscal 2009 due to increase in ceiling of gratuity payment to Rs.1 million from Rs.0.35 million for an employee. Since, no such additional provision is made in the fiscal 2010, there is a decrease in the employee cost per unit of generation from Rs.0.12 in the previous fiscal to Rs.0.11 in the current fiscal.

The pay revision of the executive category of employees of the Company which was due w.e.f. 1st January 2007 has been approved during the current fiscal based on the guidelines issued by Department of Public Enterprises (DPE), GOI. However, pay revision of the employees of the non-executive category is under finalisation and a provision of Rs.3,145 million has been updated for fiscal 2010 as compared to Rs.1,767 million provided in fiscal 2009 on estimated basis having regard to the guidelines issued by DPE. Out of the total wage provision, an amount of Rs.1,387 million has been paid as ad-hoc advance towards pay revision (explained in note 6 of Notes on Accounts, Schedule-26).

The increase in employee cost due to additional commercial capacity is Rs.1,040 million.

2.1.3 Generation, Administration and Other Expenses

Generation, administration and other expenses consist primarily of repair and maintenance of buildings, plant and machinery, power and water charges, security, insurance, training and recruitment expenses and expenses for travel and communication. These expenses have remained at approximately 6% of our operational expenditure in fiscal 2010. In absolute terms, these expenses increased to Rs.20,940 million in fiscal 2010 from Rs.18,192 million in fiscal 2009 registering a hike of 15%. Out of this, the increase of Rs.2,748 million is attributable to addition of commercial capacity during fiscal 2010. In terms of expenses per unit of generation, it is Rs.0.10 in fiscal 2010 as compared to Rs.0.09 in previous fiscal.

Repair & Maintenance expenses constitute 61% of total Generation, Administration and Other Expenses and have increased to Rs.12,783 million from Rs.10,992 million resulting in an increase of 16%.

The other increase in generation & administration expenses is mainly attributable to increase in water charges and security expenses. Water charges have increased by 30% from Rs.932 million in fiscal 2009 to Rs.1,209 million in fiscal 2010 due to revision of water charges in certain stations. Security expenses have increased to Rs.2,014 million in fiscal 2010 from Rs.1,490 million in fiscal 2009 on account of levy of service tax on this service during the current fiscal.

The miscellaneous expenses have reduced from Rs.827 million in fiscal 2009 to Rs.373 million in fiscal 2010 since Rs.531 million was included in fiscal 2009 on account of arbitration award issued against the Company at one of our gas projects.

2.1.4 Adjusted Expenditure related to Operations

If the impact of wage revision is adjusted, the operational expenditure for the fiscal 2010 and fiscal 2009 would be as follows:

Rs Million

	Fiscal 2010	Fiscal 2009
Total Expenditure related to Operations	**339,692**	**313,930**
Less:		
Wage revision provision/ Pension /Gratuity	3,042	9,579
Additional Incentive provision	2,080	1,048
Provision on account of arbitration award		531
Adjusted Expenditure related to Operations	**334,570**	**302,772**

2.2 Depreciation

The depreciation charged to the profit and loss account during the year was Rs. 26,501 million as compared to Rs.23,645 million in fiscal 2009, registering an increase of 12%. This is due to increase in gross block by Rs.44,971 million i.e. from Rs.623,530 million in the previous fiscal to Rs.668,501 million in the current fiscal. The increase in gross block is largely on account of increase in commercial capacity by 990 MW resulting from additional capitalization amounting to Rs.38,324 million on account of unit 5 of NCTPP Stage-II and unit 7 of Kahalgaon Stage II. Further, depreciation for units 1 & 2 of 500 MW each at Sipat-II and units 5 & 6 of 500 MW each at Kahalgaon-II were charged pro-rata during fiscal 2009 while depreciation on the same has been charged for the entire fiscal 2010. The impact on depreciation from additional capitalization during the fiscal 2010 is Rs.2,020 million.

As per the accounting policy of the company, depreciation is charged on straight line method as per the rates given in schedule set forth in the Companies Act, 1956 except for some items for which depreciation at higher rates is charged (please refer to Accounting Policy No.12.2.1). Government of India in January 2006 notified the Tariff Policy under the provisions of the Electricity Act, 2003 which provides that the rates of depreciation notified by the CERC would be applicable for the purpose of tariff as well as accounting. Subsequent to the notification of the Tariff Policy, CERC through Tariff Regulations, 2009 notified the rates of depreciation for the purpose of determination of tariff. CERC exercising its powers under Section 79 of the Electricity Act, 2003 requested the Ministry of Power to advise the Ministry of Corporate Affairs to notify the rates of depreciation considered by the CERC for tariff determination as depreciation under Section 205 (2) (c) of the Companies Act, 1956. However, Ministry of Corporate Affairs is yet to notify such rates under Section 205 (2) (c) of the Companies Act, 1956.

As per the legal opinions obtained, the Tariff Policy cannot override the provisions of the Companies Act, 1956 and your company is required to follow Schedule XIV of the Companies Act, 1956 in the absence of any specific provision in the Electricity Act, 2003. Hence provisions of Section 616 of the Companies Act, 1956 are also not applicable in this regard. Accordingly, depreciation is being charged consistently at the rates specified in Schedule XIV of the Companies Act, 1956 with effect from the financial year 2004-05 (explained in note 4 of Notes on Accounts, Schedule-26).

2.3 Provisions made (and written back)

During the fiscal 2010, the Company had made provisions amounting to Rs.109 million in comparison to Rs.246 million provided for in fiscal 2009. The provisions were made mainly in respect of doubtful advances and claims, obsolescence /diminution in value of surplus stores and for other items. During the fiscal 2010, the Company had also written back provisions made in earlier years amounting to Rs.128 million in comparison to Rs.170 million of provisions written back in fiscal 2009. During fiscal 2010, there is write-back of Rs.44 million in respect of doubtful construction advances for one of the projects.

2.4 Interest and Finance Charges

The interest and finance charges for the fiscal 2010 were Rs.18,089 million in comparison to Rs.19,962 million in fiscal 2009. The details of interest and finance charges are tabulated below:

Rs.Million

	Fiscal 2010	Fiscal 2009
Interest Charges:		
Interest on borrowings	24,806	21,532
Others	386	701
Total Interest charges	**25,192**	**22,233**
Finance Charges	7,704	7,293
Total	**32,896**	**29,526**
Less: Adjustments and transfers		
Exchange differences regarded as adjustment to interest costs	**(1)**	**(2,688)**
Interest charges capitalised	14,484	12,171
Finance charges capitalised	324	81
Interest and finance charges capitalised	**14,808**	**12,252**
Net interest and finance charges	**18,089**	**19,962**

Interest amount on long term borrowings (including Interest during Construction) has increased by 13% over last fiscal due to increase in long term borrowings (net of repayment) during the year by Rs. 32,176 million. However, average cost of borrowing has reduced marginally to 7.1576% in fiscal 2010 from 7.1618% in previous fiscal due to your company's ability to raise loans at competitive rates from domestic as well international sources as well as reduction in interest cost of foreign loans. Our borrowings are denominated in Rupees and foreign currencies.

The exchange differences in respect of overseas borrowings relating to fixed assets/capital work-in-progress are treated in accordance with provisions of Accounting Standard (AS) 11 issued by ICAI based on guidelines issued by Companies (Accounting Standards) Rules, 2006 issued by National Advisory Committee on Accounting Standards from time to time. Out of this, the exchange differences in respect of assets during the period of construction /renovation and modernisation are capitalized by transfer to EDC.

During the fiscal 2010, an unfavourable exchange rate variation treated as adjustment to interest costs amounting to Rs.1 million increased the interest expenses as against Rs.2,688 million in fiscal 2009. The reason for substantial reduction in adverse amount of exchange rate variation is depreciation in the currencies of all our foreign denominated loans against Indian rupee namely, US dollar by 11%, Japanese yen by 7% and Euro by 10%. The USD, Japanese yen and Euro denominated loans contributed to about 68%, 28% and 4% respectively in the loan basket at the end of fiscal 2010 as compared to 67%, 29% and 4% in previous fiscal. The component of USD has increased marginally since all the drawdowns made under foreign loans during the year were denominated in USD.

In respect of one of our hydro power project, the construction work has been suspended temporarily from 18th May 2009 on the advice of the Ministry of Power, Government of India (GoI). Presently, the issue regarding resumption of the project is under consideration with the GOI. Pending decision, borrowing costs of Rs.237 million have not been capitalised from the date of suspension. (explained in note 12 of Notes on Accounts, Schedule-26). The gross amount of interest amounting to Rs.288 million has been treated as one-off adjustment from Profit after Tax in the adjusted income for the year 2009-10.

During fiscal 2009, interest charges (others) also include Rs.538 million towards interest cost on account of award issued by the Arbitration Tribunal for one of our Gas Project.

The finance charges have increased by 6% from Rs. 7,293 million in fiscal 2009 to Rs.7,704 million in fiscal 2010. The increase is mainly due to increase in rebate payable to customers as per the Rebate Scheme of the company from Rs.6,700 million in previous fiscal to Rs.6,937 million in current fiscal. In order to secure 100% realization of amounts billed, the Company had introduced a revised Rebate Scheme 2009-10. The current Rebate Scheme provides for a rebate of 2.25% on the amounts credited to the Company's account on the first day of the month which gets reduced by 0.05% for each day's delay upto the 5th day of the month provided that entire amount is credited to the Company's account. Beyond 5th day, 2% rebate is allowed for credit to Company's account which gets progressively reduced to nil after last day of the month. Finance charges for fiscal 2010 also include an amount of Rs.206 million on account of upfront fee paid towards loans tied-up with a nationalized bank for financing projects under construction and has been consequently capitalized.

For the fiscal 2010, an amount of Rs.14,808 million relating to interest and finance charges of projects under construction was capitalized while the corresponding amount for the previous year was Rs. 12,252 million. However, if the impact of exchange difference is excluded, the interest and finance charge capitalized during fiscal 2009 is Rs.11,441 million. Thus after excluding exchange rate variation, interest and finance charges capitalized registering an increase of 29%.

The interest and finance charges for fiscal 2010 after these adjustments and without taking into account the exchange differences treated as adjustment to interest costs is Rs.17,800 million.

Rs. Million

	Fiscal 2010	Fiscal 2009
Total Interest charges less interest charges capitalised	10,709	12,750
Total Finance charges excluding finance charges capitalized	7,380	7,212
Net interest and finance charges	**18,089**	**19,962**
Less : Adjustment of exchange diff. regarded as borrowing cost	1	1877
Less: Interest cost on account of hydro project/ arbitration award	288	538
Total Adjusted Interest and Finance charges	**17,800**	**17,547**

2.5 Prior period income / expenditure

Certain elements of income and expenditure have been charged to the profit and loss account relating to previous years. For the fiscal 2010 a net amount of Rs. 779 million was booked as prior period income whereas a net amount of Rs. 1,083 million was charged as prior period expenditure to the profit and loss account in the previous year. For the current fiscal, an amount of Rs.973 million which was charged to employee cost in earlier year (towards excess provision on account of fitment benefit under pay revision) has been written back through 'Prior Period' adjustments on finalisation of the pay revision.

3 Profit before tax, provisions and prior period adjustments

The profit of the Company before tax and prior period adjustments for the current and the previous year, both on reported and adjusted basis, is tabulated below:

Rs. Million

	Reported		Adjusted	
	Fiscal 2010	Fiscal 2009	Fiscal 2010	Fiscal 2009
Gross Income	492,339	452,291	490,827	437,997
Expenditure related to operations	339,692	313,930	334,570	302,772
Depreciation	26,501	23,645	26,501	23,645
Interest and Finance charges	18,089	19,962	17,800	17,547
Profit before tax, prov. & prior period adjust.	**108,057**	**94,754**	**111,956**	**94,033**

4 Provision for Tax

The Company provides for current tax and deferred tax computed in accordance with provisions of Income Tax Act, 1961. The payment of fringe benefit tax (FBT) has been abolished by Finance Act 2009 from 1st April 2009 and accordingly, no FBT is payable for the year.

As per erstwhile Tariff Regulations, 2004, the Company recovered actual tax payments in respect of generation business from its customers while taxes on the income from all other activities was borne by the Company. However, under Tariff Regulations, 2009, w.e.f. 1st April 2009, income tax is recoverable on normative basis as Return on Equity following the applicable rate of tax for respective year. The actual income tax liability, if any, (more or less than the normative) is to be borne by NTPC. Accordingly, provision for current tax has been computed at the applicable rate of 33.99% for the financial year 2009-10.

The deferred tax liability related to the period upto 31st March 2009 is recoverable from customers as and when the same materializes. However, the deferred tax liability/asset for the period after 1st April 2009 is to the account of the company.

During the year, the deferred tax liability (net) of Rs.51,350 million that existed as on 31st March 2009 (out of which Rs.51,349 million was recoverable from customers) has been reviewed and restated to Rs.24,942 million. In terms of Regulation 39 of CERC Tariff Regulations, 2009, the Company has determined the amount of the deferred tax liability (net) materialised during the year pertaining to the period up to 31st March 2009 by identifying the major changes in the elements of deferred tax liability/asset, as recoverable from the beneficiaries. Accordingly, deferred tax liability (net) and the deferred tax recoverable from the beneficiaries as at 31st March 2010 works out to Rs.30,494 million and Rs.28,402 million respectively resulting in increase in the deferred tax liability amounting to Rs.2,091 million arising during the current year. The same has been debited to Profit & Loss Account (explained in note 26 of Notes on Accounts, Schedule-26).

	Fiscal 2009		(Rs Million)	
	Current tax	Deferred tax	FBT*	Total
Provision for fiscal 2009	25,337	(4,488)	210	21,059
Adjustment for earlier years	(13,953)	-	-	(13,953)
Payable to customers	-	4,488		4,488
Capitalised	-	-	(12)	(12)
Net prov. as per P&L Account	**11,384****	**-**	**198**	**11,582**

*FBT-Fringe Benefit Tax

**Rs.7,583 million is recoverable from customers

	Fiscal 2010		(Rs Million)	
	Current tax	Deferred tax	FBT*	Total
Provision for fiscal 2010	24,709	2,091	-	26,800
Adjust. for earlier years	(5,254)	-	27	(5,227)
Net prov. as per P&L A/C	**19,455**	**2,091**	**27**	**21,573**

Net provision of tax for the fiscal 2010 was Rs. 21,573 million in comparison to Rs. 11,582 million in the fiscal 2009, an increase of Rs.9,991 million. The net tax was lower during fiscal 2009 as company had received tax refund of Rs.13,953 million on account of the favourable decisions relating to previous years by CIT (Appeal) , out of which an amount of Rs.2,400 million was retained by your company and the balance was paid to customers.

5 **Profit After Tax before provisions made and written back and prior period adjustments**

Rs.Million

	Reported		Adjusted	
	Fiscal 2010	**Fiscal 2009**	**Fiscal 2010**	**Fiscal 2009**
Profit before tax, provisions and prior period adjustments	**108,057**	**94,754**	**111,956**	**94,033**
Tax as per P&L	(21,573)	(11,582)	(21,573)	(11,582)
Deferred Tax impact/IT refund			2,091	(2,400)
Profit after tax (before prov. and prior period adjust.)	**86,484**	**83,172**	**92,474**	**80,051**

The profits before prior period adjustments and provisions on reported basis have grown by almost 4% while on an adjusted basis have grown by 16%.

6 **Net Profit After Tax**

The net profit after tax after provisions (made and written back) and prior period adjustments on a reported and adjusted basis are as follows:

Rs.Million

	Reported		Adjusted	
	Fiscal 2010	**Fiscal 2009**	**Fiscal 2010**	**Fiscal 2009**
Profit after tax (before provisions and prior period adjustments)	**86,484**	**83,172**	**92,474**	**80,051**
Provisions (net of write back)	19	(76)	19	(76)
Add: Income tax on interest on IT refund pertaining to previous years				747
Add:Prior period adjustments	779	(1,083)		
Net profit after tax	**87,282**	**82,013**	**92,493**	**80,722**

On a reported basis, the net profit after tax for the fiscal 2010 has increased by about 6.42% while on an adjusted basis, the net profit after tax has grown by 14.58%.

7 **Segment-wise performance**

For the purpose of compiling segment-wise results, the business of the Company is segregated into 'Generation' and 'Other Business'. The Company's principal business is generation and sale of bulk power. Other business includes providing consultancy, project management and supervision, oil and gas exploration and coal mining.

The profit before tax and interest in the generation business for the fiscal 2010 was Rs. 101,524 million as against Rs. 90,531 million for fiscal 2009. Excluding income tax payable/recoverable from customers amounting to Rs. 4,714 million for fiscal 2010 and Rs. 7,583 million for fiscal 2009, the above has increased by 28% mainly on account of increased generation. For the profit before tax on 'Other Business' represented by income from consultancy, the same was Rs. 582 million for fiscal 2010 and Rs. 418 million for the previous fiscal registering a growth of 39%.

B **Financial Condition**

1 **Net worth**

The net worth of the Company at the end of fiscal 2010 increased to Rs. 624,375 million from Rs. 573,701 million in the previous year registering an increase of 9% mainly due to retained earnings. Correspondingly, the book value per share also increased from Rs. 69.58 to Rs.75.72.

2 **Loan Funds**

The loans as on March 31, 2010 were Rs. 377,970 million in comparison to Rs. 345,678 million as on March 31, 2009. A summary of the loans outstanding is given below:

Rs.Million

	As at March 31		% change
	2010	**2009**	
Secured Loans			
Bonds	85,500	82,500	4%
Foreign Currency terms loans	5,286	7,180	-26%
Other	13	16	-19%
Sub-total	**90,799**	**89,696**	**1%**
Unsecured Loans			
Fixed Deposits	134	14	857%
Foreign Currency Bonds	22,835	25,775	-11%

	As at March 31		% change
	2010	2009	
Foreign Currency loans	75,417	78,281	-4%
Rupee term loans	180,785	151,911	19%
Loans from GOI	-	1	-100%
Bonds (unsecured)	8,000	-	-
Sub-total	**287,171**	**255,982**	**12%**
Total	**377,970**	**345,678**	**9%**

GOI-Government of India

Over the last fiscal, the debt has registered a growth of 9%. Debt amounting to Rs. 69,824 million was raised during the year 2009-10 and as against this, an amount of Rs. 69,703 million was utilized to finance capital expenditure. The balance amount of Rs. 120 million was towards accretion in Public Deposits of the Company. The domestic debt funds included term loans amounting Rs.47,510 million raised and bonds aggregating to Rs.15,000 million (including bonds of Rs.8,000 million utilized for refinancing loans) privately placed during the year.

Rs. Million

Source	Debt Raised & Utilised	Repayment	Net
Term Loan	47,510	18,637	28,873
Bonds	15,000	4,000	11,000
Foreign Currency Debt	7,193	3,907	3,286
Others	120	4	116
Total	69,823	26,548	43,275
FERV	-	10,983	(10,983)
Total	**69,823**	**37,531**	**32,292**

During the year, fresh agreements for term loans aggregating Rs. 168,190 million were entered into including the loan agreement of Rs. 85,000 million with State Bank of India signed on May 14, 2009 and Rs. 27,500 million signed with Canara Bank on June 23, 2009 to finance capital expenditure of power generation projects, coal mining business and Renovation and Modernisation activities.

Your Company has redeemed bonds amounting to Rs.4,000 million during the year. Repayments amounting to Rs.18,637 million were made under various term loans extended by Indian Banks and Govt. of India. Repayment of Rs.3,907 million was made during the year towards foreign currency loans. Fixed Deposits for Rs.4 million were also discharged during the year.

The credit rating by CRISIL and ICRA of the Company as an issuer and also the rating for rupee bonds & fixed deposits program continued to be 'AAA' and "LAAA" respectively, being the highest rating. During the rating exercise of our domestic borrowings from banks including the amounts committed by them, CRISIL has assigned the highest possible rating i.e. 'AAA'. In addition, during the fiscal 2009, ICRA has assigned 'LAAA' rating for sanctioned lines of credit extended from domestic banks.

During the year, Standard and Poors' and Fitch Ratings maintained the "Investment Grade" foreign currency ratings of your company. While, Fitch Ratings continued to maintain the 'stable' outlook for the ratings, the outlook on the company's rating was revised from 'negative' to 'stable' by Standard and Poors' in March 2010. The Company's foreign currency ratings are at par with sovereign ratings of India.

The debt to equity ratio at the end of fiscal 2009-10 of the Company increased to 0.61 from 0.60 at the end of the previous fiscal.

The Debt Service Coverage Ratio (DSCR) for the year has improved to 3.92 from 3.67 in the previous financial year and Interest Service Coverage Ratio of fiscal 2010 has improved to 13.64 from 10.19 in previous fiscal. Both these ratios have shown improvement due to higher Earnings Before Interest, Tax and depreciation and also due to reduction in net interest charged to P&L Account.

Formula used for computation of coverage ratios DSCR = Earnings before Interest, Depreciation and Tax/ (Interest net off transferred to expenditure during construction + Principal repayment) and ISCR = Earnings before Interest, Depreciation and Tax/(Interest net off transferred to expenditure during construction).

The maturity profile of the borrowings by the Company is as under:

Rs million

	Rupee Loans	Foreign Currency loans	Total
Within 1 year	22,919	17,003	39,922
1 – 3 years	52,549	18,929	71,478
3 – 5 years	56,579	13,766	70,345
5 – 10 years	119,481	36,567	156,048
Beyond 10 years	22,904	17,273	40,177
Total	**274,432**	**103,538**	**377,970**

3 Fixed Assets

During the year your Company added Rs.44,971 million to the gross block mainly on account of capitalization of one unit of Kahalgaon-II (500MW) Power Project and one unit of Dadri-II (490MW) Power Project. Due to increase in construction activities, there was an addition of Rs.55,413 million in the capital-work-in-progress registering an increase of 26% over the last year. In addition, there was also an increase of 3% in Construction Stores and Advances.

Rs.Million

	As at March 31		
	2010	**2009**	**% Change**
Gross block	668,501	623,530	7%
Net Block	347,613	329,377	6%
Capital Work-in-Progress	267,624	212,211	26%
Construction stores and advances	53,419	51,838	3%
Total fixed assets	**668,656**	**593,426**	**13%**

4 Investments

The Investments consist mainly of bonds issued under One Time Settlement Scheme and bonds issued against outstanding dues besides equity participation in joint ventures and subsidiaries. The investments also include the deployment of surplus cash generated out of operations in various treasury instruments issued by Government of India. During fiscal 2010, the investments increased by about 6%. Broadly the break-up of investments is as follows:

Rs.Million

	As at March 31	
	2010	**2009**
Bonds issued under One time settlement scheme	98,217	114,732
Investments in Joint Ventures	24,803	18,729
Investment in subsidiaries	5,496	4,146
Investment of surplus cash in various instruments	19,435	1,865
Others	120	120
Bonds against dues (issued prior to one time settlement scheme)	-	243
Total investments	**148,071**	**139,835**

Bonds issued against settlement of receivables account for 66% of total investments at the end of fiscal 2010. Bonds received under One Time Settlement Scheme (OTSS) amounting to Rs.16,515 million were redeemed during the year as per scheduled redemption. These OTSS bonds carry a 'call option' giving right to SEBs to redeem the bonds before scheduled redemption date. However, no call option was exercised by any SEB during the year 2009-10.

Your company fully redeemed Rs.243 million of 10% Secured Non- Cumulative Non-Convertible Redeemable GRIDCO Bonds as per redemption plan, during the fiscal 2010.

Your company invested Rs.6,074 million in following joint ventures during the year:

Rs. Million

Name of JV	Amount
NTPC-Tamil Nadu Energy Company Ltd.	2,345
Aravali Power Company Private Ltd.	2,000
NTPC BHEL Power Projects Private Ltd.	199
Meja Urja Nigam Private Limited	192
BF-NTPC Energy Systems Ltd.	58
Nabinagar Power Generating Company Private Ltd.	950
Transformer and Electrical Kerala Ltd.	314
National High Power Test Laboratory Private Ltd.	9
International Coal Ventures Ltd.	1
Energy Efficiency Services Ltd.	6
Total	**6,074**

The company also invested Rs.1,350 million in subsidiaries as under:

Rs. Million

Name of Subsidiary	Amount
NTPC Hydro Ltd.	99
Bhartiya Rail Bijlee Company Ltd.	1,251
Total	**1,350**

During the year, there was an investment of surplus funds in short term funds for Rs.19,435 million.

5 Current Assets

The current assets and current liabilities as on March 31, 2010 and March 31, 2009 and the changes therein are as follows:

Rs.Million

	As at March31		YoY Change	% Change
	2010	2009		
Current Assets	Amt	Amt	Amt	
Inventories	33,477	32,434	1,043	3%
Sundry Debtors	66,514	35,842	30,672	86%
Cash and Bank balances	144,595	162,716	(18,121)	-11%
Other Current Assets	8,440	9,794	(1,354)	-14%
Loans and Advances	55,131	68,467	(13,336)	-19%
Total Current Assets	**308,157**	**309,253**	**(1,096)**	**-**

A major portion of current assets comprised of Cash and Bank balances. As on March 31, 2010, cash and bank balances stood at Rs.144,595 million being 47% of the total current assets in comparison to Rs.162,716 million as at March 31, 2009 which was 53% of the total current assets as on that date. Of this, Rs.138,255 million was kept as term deposits with banks as on March 31, 2010 while the term deposits for the last year was Rs. 159,998 million.

The next largest component of current assets is Sundry Debtors. Sundry Debtors net of provisions have increased from Rs 35,842 million in previous financial year to Rs. 66,514 million showing an increase of 86%. Sale of energy, however, only grew by 10%.

As on 31.03.2010, Sundry Debtors amounted to Rs. 74,875 million as compared to Rs. 44,203 million as at the end of previous year. As a percentage of sales, the sundry debtors represent are 16% of sales as compared to 10% in previous financial year. The Sundry debtors were equivalent to 59 days of sales for current year compared to 38 days in previous year. Reason for increase in debtor balances is mainly the discontinuance of Special Rebate Scheme by the company w.e.f 01.04.2010. Special Rebate Scheme had a provision for giving additional rebate to customers who made payments on the last day of the month on the basis of provisional billing to be adjusted from the final bill raised in the subsequent month. This resulted in reduced debtors at the end of each month. Due to discontinuation of Special Rebate in the first five days of the month w.e.f 1st April, 2010, the sundry debtors as on 31st March, 2010 have increased.

Loans and advances reduced by 19% as compared to previous financial year mainly on account of Lower Advance tax and tax deducted at source (Net of Provision for tax). Besides advance tax and tax deducted at source (net of provisions) amounting to Rs.20,644 million, this includes a loan of Rs.6,222 million to the Government of Delhi subsequent to the conversion of the dues of Delhi Vidyut Board under the one-time-settlement scheme. The Government of Delhi pays 8.5% tax-free interest on this loan. The other loans and advances are mostly to suppliers and contractors and also on account of advances extended to employees for various purposes such as building of house, purchase of vehicles etc. as per the policies of your Company. The advances to employees mainly include Rs.1,387 million paid as adhoc advance to employees in non-executive category pending pay revision (explained in note 6 of Notes on Accounts, Schedule-26).

Inventories as at March 31, 2010 were Rs.33,477 million being 11% of current assets as against Rs. 32,434 million as on March 31, 2009. Inventories mainly comprise of components and spares and coal which are maintained for operating plants. Components and spares were Rs.16,500 million as against Rs.15,662 million in previous year end. Coal inventory amounted to Rs. 11,175 million as against Rs. 11,133 million in previous year.

6 Current Liabilities

Rs.Million

	As at March 31		YoY change	% change
	2010	2009		
	Amt	Amt	Amt	
Liabilities	76,876	74,391	2,485	3%
Provisions	30,705	32,495	-1,790	-6%
Total Current Liabilities	**107,581**	**106,886**	**695**	**1%**

The current liabilities as at March 31, 2010 were Rs. 76,876 million as against Rs. 74,391 million in the previous year. The current liabilities mainly comprise of creditors for capital expenditure, creditors for supply of goods and services, deposits and retention money from contractors. The creditors and retention money, deposits etc. at the end of the year stood at Rs. 68,844 million as against Rs. 64,469 million in the previous year.

The current liabilities have also increased by Rs. 2,869 million on account of unsettled liabilities due to price variation claims accounted on estimation basis rather than on acceptance basis due to change in accounting policy (explained in note 17(b) to Notes on Accounts, Schedule-26). Besides these, advances from customers were Rs. 2,935 million as against Rs 4,520 million in the previous year. These sums include amount payable to the customers on account of income tax refunds.

7 Provisions

As on March 31, 2010, your Company had provisions outstanding amounting to Rs. 30,705 million as against Rs. 32,495 million on 31st March 2009. This mainly comprised Rs.20,345 million (previous year Rs. 21,927 million) being provision for estimated employee benefits under AS 15 (Revised 2005) "Employee Benefits" and estimated benefits payable pending pay revision w.e.f. 01.01.07.

The provision in current year is lower mainly due to reduction in provision amount after payment of pay revision arrears to employees on finalization of pay-revision of employees in executive category.

Further, provisions include Rs 6,596 million on account of proposed dividend which would be paid subject to approval of our shareholders. The income tax payable on the proposed dividend is Rs.1,072 million included in the Provisions of FY 2009-10.

8 Cash flows

Cash, cash equivalents and cash flows on various activities for the past five years are tabulated below:

Rs. Million

	For the year ended March 31				
	2010	**2009**	**2008**	**2007**	**2006**
Opening Cash & cash equivalents	162,716	149,332	133,146	84,714	60,783
Net cash from operating activities	105,942	96,881	97,860	80,653	59,720
Net cash used in investing activities	-104,977	-75,004	-58,187	-31,458	-26,992
Net cash flow from financing activities	-19,086	-8,493	-23,487	-763	-8,797
Change in Cash and cash equivalents	-18,121	13,384	16,186	48,432	23,931
Closing cash & cash equivalents	144,595	162,716	149,332	133,146	84,714

Net cash from operating activities for the year ended March 31, 2010 increased by 9% from the previous year. Net cash from operating activities was Rs.105,942 million as against Rs 96,881 million for the previous year.

Net cash used in investing activities increased to Rs 104,977 million in FY 2009-10 from Rs. 75,004 million in the previous year registering an increase of 40%. Cash flows on investing activities arise from expenditure on setting up power projects, investment of surplus cash in various securities, investments in joint ventures and subsidiaries. Cash utilized for purchase of fixed assets increased by 8% from Rs. 100,087 million in the previous year to Rs. 107,741 million during FY 2009-10. Net cash used in purchase of investments (after adjusting sale of investments and the redemption of OTSS bonds) increased by Rs.17,732 million during the year. No call option was exercised by SEBs on OTSS bonds during the FY 2009-10. The investment in Joint Venture companies and subsidiaries was Rs.7,424 million in current financial year as against Rs.4,093 million during previous year. Cash generated from investing activities also reduced due to reduction in interest amount on OTSS bonds.

During the year, out of cash raised from operating activities the company paid net Rs.19,086 million of cash for servicing financing activities as against Rs.8,493 million in the previous year. During the FY 2009-10 the company had an inflow of Rs.69,824 million from long term borrowings as against Rs. 73,600 million in the previous year. Cash used for repayment of long term borrowings during the current fiscal was Rs.26,548 (excluding exchange rate variation of Rs.10,983 million) million as against Rs.22,666 million repaid in the previous year. Cash used for paying dividend and the tax thereon was Rs.36,639 million as against Rs.34,718 million in the previous year.

BUSINESS AND FINANCIAL REVIEW OF SUBSIDIARIES

NTPC has six subsidiary companies. The financial statements of the subsidiaries are included in this Annual Report elsewhere. Out of six subsidiary companies, one company namely, Pipavav Power Development Company Limited (PPDCL) is under winding up. The performance of remaining five subisidiaries is briefly discussed here:

(a) NTPC Electric Supply Company Limited (NESCL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
	Rs Million	
NTPC's investment in equity	0.8	0.8
Gross Income	800	785
Profit After Tax	266	185
	Rs Per Share	
Earnings Per Share	3,286.38	2,284.54

The company was formed on August 21, 2002 as a wholly owned subsidiary company of NTPC with an objective to make a foray in the business of distribution and supply of electrical energy as a sequel to reforms initiated in the Power Sector. Presently the company is undertaking the following activities:

- The company has been involved in the execution of work on turnkey basis under the government's rural electrification program namely "Rajiv Gandhi Grameen Vidyuti-Karan Yojana" in 29 districts in 5 states, namely, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa and West Bengal covering more than 38000 villages and approximately 27 lakh Below Poverty Line (BPL) connections. During the year 2009-10, the Company achieved electrification of 8,017 villages and provided electricity connection to 8.6 lakh BPL households which is higher then the MOU target of 7,500 Un-electrified/ De-electrified and 8.5 lakhs BPL connections. So far the Company has achieved electrification of 16,954 villages.
- The Company is assisting the DISCOMs and utilities for enhancement and bringing the sectoral reforms process and has been participating in the distribution infrastructural development programme under consultancy assignments. The Company is executing project management consultancy work for setting up 220 KV substations, switch yard and associated facilities at BPCL Kochi Refinery.
- The Company is also involved in the turnkey execution of infrastructure for Power supply arrangement for Port based Special Economic Zone at Vallarpadam for Cochin Port Trust (CPT) as well as turn key execution of development of infrastructure for power supply arrangement for all coal mining projects of NTPC.
- NESCL is also trying to implement a new business model in which bulk power is brought to the load centre from NTPC merchant plants & is distributed to a predetermined geographical area having dedicated consumers as an independent licensee. This model shall not only pave the way for NESCL to take up the retail distribution but also assist the state utilities in meeting the power shortages in the respective states.

As on 31.3.2010, paid up capital of the Company is Rs. 0.8 million. The Company has paid a dividend of Rs.40 million for the year 2009-10 as against Rs 25 million paid in the previous year.

Joint venture of NESCL

NESCL has set up a JV with Kerala Industrial Infrastructure Development Corporation (KINFRA), a statutory body of Government of Kerala with equity participation of 50% each named as KINESCO Power and Utilities Pvt. Ltd on 17th September 2008, to take up retail distribution of power in various Industrial parks developed by KINFRA in Kerala and other SEZs and industrial areas. The license has been issued for Kakkanad, Kalamassery and Palakkad by the state regulator. The new JV Company has taken over the operations from 1st Feb 2010 in the Kakkanad Industrial area of KINFRA.

As on 31.3.2010, the paid up capital of the Company is Rs. 1 million and Rs. 2.6 million of share application money is pending for allotment.

(b) NTPC Vidyut Vyapar Nigam Limited (NVVN)

The financial highlights of the Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
	Rs Million	
NTPC's investment in equity	200	200
Gross Income	851	1,211
Profit After Tax	284	495
	Rs. Per Share	
Earnings per share	14.20	24.76

The company was formed on November 1, 2002 as a wholly owned subsidiary company of NTPC with an objective to undertake business of sale and purchase of electric power, to effectively utilise installed capacity and thus enabling reduction in the cost of power. During the year 2009-10, the company transacted business with various state electricity boards spread all over the country and traded 5.549 billion units of electricity in comparison to 4.831 billion units traded in the previous year.

As on 31.3.2010, the paid up capital of the Company is Rs. 200 million. The Company has paid a dividend of Rs.100 million for the year 2009-10.

(c) NTPC Hydro Limited (NHL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
NTPC's investment in equity(incl. share capital deposit) (Rs. Million)	1026	927
Loss (Rs.)	Nil	10,800

In furtherance of its efforts to take forward the hydro capacity addition and to give exclusive thrust to small and medium sized Hydro Power Projects upto 250MW capacity, NTPC Ltd. had set up a wholly owned subsidiary company named "NTPC Hydro Ltd." in December, 2002. Presently the company is implementing the following projects:

- Lata Tapovan hydro electric project (171 MW) in the state of Uttrakhand. All the statutory clearances have been obtained and entire land required for the project has been physically acquired. The main EPC package, namely, Civil & HM Works (Hydro Mechanical) is currently under tendering process and award is envisaged during the current calendar year. The project is to be developed as a regional power station with 12% free power to Govt. of Uttarakhand and balance to be supplied to the beneficiaries of Northern states. PPAs with number of beneficiary states have also been signed. The project is slated for commissioning during 12th Plan. Annual generation from this project is estimated as 869 MU.
- Rammam-III (120 MW) in the state of West Bengal- All the statutory clearances have been obtained and majority of land acquisition activities have been completed. Various infrastructure developmental works are under progress. The main EPC package, namely, Civil & HM Works is currently under tendering process and award is envisaged during the year 2010-11.The project is for the benefit of West Bengal and Sikkim states and is slated for commissioning during 12th Plan. Annual generation from this project is estimated as 476 MU.

As on 31.3.2010, the paid up capital of the Company is Rs. 1,008 million and Rs. 18 million of share application money is pending for allotment.

(d) Kanti Bijlee Utpadan Nigam Limited

As per the decision of Govt. of India, a new company named 'Vaishali Power Generating Company Ltd.' was incorporated on September 6, 2006 as a subsidiary of NTPC to take over Muzaffarpur Thermal Power Station (MTPS) (2 x 110 MW). The Company was rechristened as 'Kanti Bijlee Utpadan Nigam Limited' on 10.04.2008. The present equity contribution in the company is 64.57% by NTPC and 35.43% by BSEB.

Unit 2 of 110 MW of the transferred station is under operation w.e.f. 29.01.08 after restoration and refurbishment and generated infirm power of 460.58 MUs during financial year 2009-10 which is highest ever generation by this unit since its inception. Renovation and Modernization (R&M) of existing units 2X110 MW is to commence in 2010-11 for which contract has been awarded to BHEL on 15.04.10.

The Board of the Company has approved the Feasibility Report for the expansion of MTPS by 2x195 MW. Main Plant package award has been finalized and Letter of Intent (LOI) was issued to BHEL in March 2010 for Rs.1,076 crore.

As on 31.3.2010, the paid up capital of the Company is Rs. 885 million and Rs. 44 million of share application money is pending for allotment which includes Rs. 22 million as the share of NTPC Ltd.

The financial highlights of the Company are given below:

Particulars	Fiscal 2010	Fiscal 2009
NTPC's investment in equity (incl share capital deposit) (Rs.Mln)	594	594
Loss (Rs.)	7,50,950	27,866
Earnings per share (Rs)	(0.13)	(0.28)

(e) Bhartiya Rail Bijlee Company Limited (BRBCL)

"Bhartiya Rail Bijlee Company Limited" was incorporated as a subsidiary of NTPC on November 22, 2007 having equity participation of 74:26 by NTPC Ltd. and Ministry of Railways, Govt. of India respectively for setting up of 4 units of 250 MW each of coal based power plant at Nabinagar, district Aurangabad, Bihar. Land measuring 1,250 acres (approx) was taken under possession during the year. As on 31.3.2010, the paid up capital of the Company is Rs. 4,000 million and Rs. 1,462 million of share application money is pending for allotment which includes Rs. 712 million as the share of NTPC Ltd.

The financial highlights of the Company are given below:

Particulars	Fiscal 2010	Fiscal 2009
	Rs. Million	
NTPC's investment in equity (incl. share capital deposit)	3,672	2,421
Loss	0.2	3.9
	Rs. Per Share	
Earnings per share	(0.00)	(0.03)

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES

a) Utility Powertech Limited (UPL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
	Rs. Million	
NTPC's investment in equity	10	10
Gross Income	2,629	2,383
Profit After Tax	90	8
	Rs. Per Share	
Earnings per share	22.45	2.03

UPL is a joint venture company of NTPC and Reliance Infrastructure Limited formed to take up assignments of construction, erection and supervision in power sector and other sectors in India and abroad as well as to provide man power to power, telecom and other sectors. As on 31.3.2010, the paid up capital of the Company is Rs. 40 million (including Rs. 20 million of paid up equity capital issued as fully paid up bonus shares in the previous year) with 50% initially contributed by NTPC Ltd.

b) NTPC-SAIL Power Company Pvt. Ltd. (NSPCL)

NSPCL, a 50:50 Joint venture Company of NTPC and SAIL was incorporated on 08.02.1999 for running the Captive Power Plants of SAIL at Durgapur, Rourkela. Later, Bhilai Electricity Supply Company Ltd. merged into NSPCL.

NSCPL owns and operates a capacity of 814 MW mostly as captive power plants for SAIL's steel manufacturing facilities located at Durgapur, Rourkela and Bhilai. Two units of 250 MW each of Bhilai expansion were commissioned during 2008-09 out of which 255 MW capacity is allocated for captive use and the balance 245 MW is allocated for CSEB, UT Daman & Diu and UT Dadra & Nagar Haveli. Both the units were declared commercial during 2009-10.

The above stations generated a total of 5.043 BUs (including 2.418 BUs from Bhilai expansion units) during 2009-10 as compared to 2.389 BUs during the corresponding previous year. Captive power plants (314 MW) of NSPCL recorded annual generation of 2625 MUs at 95.5% PLF, highest ever since inception. Further, both 250MW units of Bhiliai Expansion (2X250MW) achieved 100% PLF & AVF during March '10 and achieved 85% AVF during 2009-10 after commercial operation.

As on 31.03.2010, the paid up capital of the Company is Rs. 9,505 million and out of this, 50% has been contributed by NTPC Ltd.

The financial highlights of this Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
	Rs. million	
NTPC's investment in equity	4,752	4,752
Gross Income	9,571	2,697
Profit After Tax	839	355
	Rs. Per Share	
Earnings per share	0.88	0.42

NSPCL has recommended a final dividend of Rs.290 million of which NTPC's share is Rs.145million.

c) NTPC-ALSTOM Power Services Private Limited (NASL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2010	Fiscal 2009
	Rs. million	
NTPC's investment in equity	30	30
Gross Income	286	597
Profit After Tax	13	34
	Rs. Per Share	
Earnings per share	2.18	5.73

NASL is a 50:50 joint venture company between NTPC and ASLTOM POWER GENERATION AG, Germany. The company was formed on 27.09.1999 for taking up Renovation & Modernization assignments of power plants both in India and SAARC countries. During 2009-10, NASL has submitted technical bids for Badarpur and Bandel projects. As on 31.3.2010, the paid up capital of the Company is Rs. 60 million with 50% being contributed by NTPC Ltd.

d) NTPC Tamil Nadu Energy Company Ltd. (NTECL)

NTPC Tamil Nadu Energy Company Ltd, was formed as a 50:50 joint venture between NTPC and Tamil Nadu Electricity Board (TNEB) on May 23, 2003 to develop and operate 1500MW power project at Vallur. The project is named as Vallur Thermal Power Project and is expected to use Ennore port infrastructure facilities. Mega Power Status was accorded to the project (3x500 MW) on 12.03.08.

Investment Approval of Stage-I, Phase-II (1 x 500MW) expansion of the Project was accorded by the NTECL Board on 19.05.09.MOEF clearance for phase-II (1 x 500 MW) was accorded on 03.06.09 while Main Plant Boiler & Turbine contract was awarded to M/s BHEL on 28.07.09.Financial closure of Phase-II was achieved with signing of Loan Agreement with M/s REC on 06.03.10 for Rs. 21,140 million. The construction work at site is in full progress.

The paid up capital of the Company is Rs. 8500 million and out of this, 50% has been contributed by NTPC Ltd. Further as on 31.03.2010, the amount of Share Capital Deposit pending for allotment is Rs. 555 million. Out of this, Rs. 155 million was contributed by NTPC Ltd. during 2009-10.

e) Ratnagiri Gas and Power Pvt. Limited

Ratnagiri Gas and Power Private Ltd has been formed as joint venture between NTPC, GAIL, Maharashtra State Electricity Board and Indian Financial institutions with NTPC having a stake of 29.65% for taking over and operating gas based Dabhol Power Project. Block # I RGPPL was also revived and declared commercial on May 19, 2009.The total generation from all the Power Blocks during 2009-10 is 8,289 MUs. All the power blocks machines are in operation. GoI has allocated full quantum of gas required for Power Blocks (about 8.5 MMSCMD). RGPPL commenced power generation using domestic gas from KG D-6 basin from September 30, 2009. The current drawl is around 7.2 MMSCMD.

As on 31.3.2010, the paid up capital of the Company is Rs. 20,000 million and out of this, Rs.5,929 million has been contributed by NTPC Ltd. Further as on 31st March 2010, out of Share Capital Deposit pending allotment amounting to Rs 2,970 million, an amount of Rs. 1,000 million has been contributed towards equity by NTPC Ltd.

The financial highlights of the Company are as under:

Rs. Million

Particulars	Fiscal 2010	Fiscal 2009
NTPC's investment in equity (incl. share capital deposit	6,929	6,929
Gross Income	37,702	12,612
Profit (Loss)	445	(6,551)
	Rs. Per Share	
Earnings per share(Basic)	0.22	(3.83)

f) Aravali Power Company Private Limited

Aravali Power Company Private Limited (A Joint Venture Company of NTPC Ltd., Indraprastha Power Generating Co. Ltd. [IPGCL] of Delhi Govt. and Haryana Power Generating Co. Ltd. [HPGCL] of Haryana Govt.) is setting up Aravali Super Thermal Power Project of 1500 MW (3x500 MW), a coal fired power plant, in Jhajjar district of Haryana. The project is being set up by NTPC on concept-to-commissioning basis. NTPC Ltd. would also operate and maintain the station on Management Contract basis for at least 25 years. The project is being set up for meeting the power requirement of Haryana and NCT of Delhi. The power will be shared on 50:50 basis between Haryana and NCT of Delhi.

Construction activities at the site are in full swing. Boiler Hydro Test for Unit-I has been completed on 26.01.10. For Unit-II, TG erection work commenced in January, 2010. Boiler Drum Lifting of Unit-III was completed on 12.11.2009 and TG Deck casted on 14.02.2010. Unit-I & II is expected to be ready during 2010-2011. For the fuel linkage, Letter of Assurance obtained from MCL for 6.94 MTPA (F Grade Coal). Water agreement signed with Haryana Irrigation Department on 21.12.09 for supply of 150 cusec of water from JLN canal.

As on 31.3.2010, the paid up capital of the Company is Rs. 13,170 million with 50% being contributed by NTPC Ltd.

g) NTPC-SCCL Global Venture Pvt. Ltd

NTPC Limited alongwith Singareni Collieries Company Limited formed a 50:50 joint venture Company under the name and style of "NTPC-SCCL Global Ventures Private Limited" on July 31, 2007 to undertake various activities in coal and power sectors including acquisition of coal/lignite mine blocks, development and operation of integrated coal based power plants and providing consultancy services. In the proposed Joint Venture Company both NTPC and SCCL shall hold 50% equity each.

As on 31.3.2010, the paid up capital of the Company is Rs. 1 million, out of which 50% has been contributed by NTPC Ltd.

h) Meja Urja Nigam Private Limited

NTPC has formed a JV Company with Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) under the name "Meja Urja Nigam Private Limited" on April 2, 2008 for setting up a power plant of 1320 MW (2X660 MW) at Meja Tehsil in Allahabad district in the state of Uttar Pradesh.

All significant clearances except MOEF clearance have been obtained. Application for MoEF clearance submitted on 30.03.10. CWC/MOWR clearance for use of Ganga Water received on 17.11.09. In-principle approval for Coal Linkage received from the MOC. Land acquisition has been completed. Further, possession & mutation for 1,118 Hectares of Government & Private Land & Resettlement of PAPs has commenced. The project is identified under Bulk Tendering for 660 MW units.

As on 31.03.2010, the paid up capital of the Company is Rs. 604 million and out of this, 50% has been contributed by NTPC Ltd. Further as on 31.3.2010, out of Share Capital Deposit pending for allotment amounting to Rs. 385 million, Rs.192 million being 50% of the total Share Capital Deposit has been contributed by NTPC Ltd.

i) NTPC BHEL Power Projects Pvt Ltd. (NBPPL)

"NTPC BHEL Power Projects Pvt Ltd." (NBPPL) was formed on April 28, 2008 as a JV Company with Bharat Heavy Electrical Ltd (BHEL) for carrying out Engineering Procurement and Construction (EPC) activities in the power sector and to engage in manufacturing and supply of equipment for power plants and other infrastructure projects in India and Abroad. The Company has acquired 750 acres of land at YSR Puram in Chittoor district (Andhra Pradesh) for setting up manufacturing plant. The company has also bagged contracts for execution of Balance of Plant package for a value of Rs. 79 Crore for Palatana Combined Cycle Power Plant in Tripura and 1x100 MW Namrup Thermal Power Station valued at Rs. 71.81 Crore.

As on 31.03.2010, the paid up capital of the Company is Rs. 500 million, out of this, 50% has been contributed by NTPC Ltd.

j) BF-NTPC Energy Systems Limited

"BF-NTPC Energy Systems Limited" (BFNESL) was formed on June 19, 2008 with Bharat Forge Limited (BFL) to establish a facility to take up manufacturing of castings, forgings, fittings and high pressure piping required for power projects and other industries, Balance of Plant (BOP) equipment for the power sector.

BFNESL has finalized land in Solapur, Maharashtra for setting up manufacturing facilities; foundation stone for the same was laid on 20th March, 2010.

As on 31.3.2010, the paid up capital of the Company is Rs. 21 million with 49% being contributed by NTPC Ltd. Further, out of Rs. 99 million of share application money pending allotment as on 31.03.2010, Rs.49 million has been contributed by NTPC.

k) Nabinagar Power Generating Company Private Limited

"Nabinagar Power Generating Company Private Limited" (NPGCL) was incorporated as a JV Company on September 9, 2008 with equal equity contribution from Bihar State Electricity Board for setting-up of a coal based power project at New Nabinagar in district Aurangabad of State of Bihar. The project will have a capacity of 1,980 MW (3X660 MW). The Company will also undertake operation & maintenance of the project after its commissioning.

Feasibility Report of the project was approved by NPGCL Board on 02.07.09.Land acquisition activities have been initiated. Application for MoEF clearance submitted on 29.03.10. In-principle approval for Coal Linkage received from the MOC. The project is identified under Bulk Tendering for 660 MW units.

As on 31.3.2010, the paid up capital of the Company is Rs. 1 million with 50% being contributed by NTPC Ltd. during 2009-10. Further as on 31.3.2010, out of share application money pending for allotment amounting to Rs. 2,229 million, Rs.950 million has been contributed by NTPC Ltd.

l) National Power Exchange Limited (NPEX)

"National Power Exchange Limited" (NPEX) was incorporated as a JV Company with NHPC Ltd., Power Finance Corporation Ltd. and Tata Consultancy Services Ltd. on December 11, 2008 to operate a Power Exchange at National level. This Power Exchange would provide a neutral and transparent electronic platform for trading of power on "day ahead basis" and ensure clearing of all trades in a transparent, fair and open manner with access to all players in the power markets. NTPC Ltd. & NHPC Ltd. have contributed 16.67% equity each, Power Finance Corporation Ltd. 16.66% of equity while Tata Consultancy Services has contributed 50% equity in the share capital of this Company. An in-principle approval by CERC to set up and operate a national level power exchange was received on July 1, 2009. New Regulations for power exchange have been issued by Central Electricity Regulatory Commission on 20th Jan 2010.The Company has initiated action for compliance and aligning itself to these regulations.

As on 31.3.2010, the paid up capital of the Company is Rs. 50 million with 16.67% amounting Rs. 8 million contributed by NTPC Ltd.

m) International Coal Ventures Private Limited (ICVL)

A JV Company was incorporated on May 20, 2009 under the name "International Coal Ventures Private

Limited" (ICVL) in association with Steel Authority of India (SAIL), Coal India Limited (CIL), Rashtriya Ispat Nigam Limited (RINL) and NMDC Limited (NMDC). SAIL, CIL, RINL, NMDC and NTPC shall contribute in the equity share capital of the Company in the ratio of 2:2:1:1:1 respectively. The Company has been incorporated for the purpose of carrying on business for overseas acquisition and/ or operation of coal mines or blocks/ companies for securing coking and thermal coal supplies. ICVL is pursuing coal opportunities from countries like Australia, Indonesia, Mozambique, South Africa and USA. As on 31.03.2010, the paid up capital of the Company is Rs. 7 million

n) **National High Power Test Laboratory Private Limited (NHPTLPL)**

NTPC has formed a JV Company on May 22, 2009 under the name "National High Power Test Laboratory Private Limited" (NHPTLPL) in association with NHPC Limited (NHPC), Power Grid Corporation of India Limited (PGCIL) and Damodar Valley Corporation (DVC). All JV partners have contributed equally in the equity share capital of the Company. The Company has been incorporated for setting up an On-line High Power Test Laboratory for short-circuit test facility in the Country. The project Feasibility Report has been submitted by Technical Consultants, CSEI, Italy.

As on 31.03.2010, the paid up capital of the Company is Rs. 35 million which includes Rs. 9 million being 25% of paid up equity capital contributed by NTPC Ltd.

o) **Energy Efficiency Services Pvt. Limited**

A JV company has been formed on December 10, 2009 under the name "Energy Efficiency Services Limited" with Power Finance Corporation Limited (PFC), Powergrid Corporation of India Limited (PGCIL) and Rural Electrification Corporation Limited (REC) to carry on and promote the business of Energy Efficiency and climate change including manufacture and supply of energy efficiency services and products. NTPC, PFC, PGCIL and REC hold shares in the equity share capital of the Company equally.

As on 31.03.2010, the share application money pending for allotment in the Company is Rs. 25 million which includes Rs. 6 million being 25% of this amount contributed by NTPC Ltd.

p) **Transformers and Electricals Kerala Limited (TELK)**

In line with the Business Collaboration and Shareholders Agreement executed between NTPC Limited, Government of Kerala and Transformers and Electricals Kerala Limited (TELK), 44.6% of presently paid-up capital of TELK were acquired from Government of Kerala at a total value of Rs. 313.4 million during 2009-10. The shares were credited in NTPC's demat account on 19.06.2009. TELK is engaged in manufacturing and repair of heavy duty transformers. During the year TELK produced 5,085 MVA transformers as against 4,566 MVA in 2008-09, an increase of 11.37%.

As on 31.03.2010, the paid up capital of the Company is Rs. 430 million with Rs. 314 million contributed by NTPC Ltd.

Consolidated Financial Statements of NTPC Ltd, its Subsidiaries and Joint Venture Companies

The consolidated Financial statements have been prepared in accordance with Accounting Standards (AS)-21 - " Consolidated Financial Statements" and Accounting Standards(AS) 27 -"Financial reporting of Interests in Joint Ventures" and are included in this Annual report.

A brief summary of the results on a consolidated basis is given below:

Rs. million

	Fiscal 2010	Fiscal 2009
Gross Income	512,035	460,365
Profit before Tax	110,491	93,073
Profit after Tax	88,377	80,925
Net Cash from operating activities	119,235	102,417

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and in the Directors' Report, describing the Company's objectives, projections and estimates, contain words or phrases such as "will", "aim", "believe", "expect", "intend", "estimate", "plan", "objective", "contemplate", "project" and similar expressions or variations of such expressions, are "forward-looking" and progressive within the meaning of applicable laws and regulations. Actual results may vary materially from those expressed or implied by the forward looking statements due to risks or uncertainties associated therewith depending upon economic conditions, government policies and other incidental factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

For and on behalf of the Board of Directors

RNarma

(R. S. Sharma)
Chairman & Managing Director

Place: New Delhi
Date: August 04, 2010