MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

GENERATION

Existing Installed Capacity

The power sector in India is characterized by deficits with demand outstripping the supply. Going forward, it is likely that the same situation will continue till the end of XII plan.

The total installed capacity in the country as on March 31, 2009 was 147,965 MW with State Sector leading with a share of 51.4%, followed by Central Sector representing 33.1% share and balance 15.5% is contributed by Private Sector entities.

Total Capacity	MW	% share
State	76,116	51.4%
Centre	48,970	33.1%
Private	22,879	15.5%
Total*	**147,965**	**100%**

*Excluding captive generating capacity connected to the grid 19781.79 MW as on 31.3.2009

Source: CEA's executive summary

Out of 3,454 MW added during the year in the country, the Central Sector contributed to an addition of about 22%, state sector 53% and 25% was contributed by private sector.

The total thermal capacity, including gas stations and diesel generation accounts for about 63.3% of installed capacity of the country followed by hydro capacity at 24.9%. Nuclear stations account for 2.8% and the balance 9.0% is contributed by Renewable Energy Sources.

Total Capacity	MW	% share
Thermal	93,725	63.3%
Hydro	36,878	24.9%
Nuclear	4,120	2.8%
R.E.S.@	13,242	9.0%
Total	**147,965**	**100%**

@ Renewable Energy Sources

Source: CEA's executive summary

With about 77,649 MW of the installed capacity contributed by coal based stations which is 52% of nation's capacity, coal remains a key fuel for power generation.

Existing Generation

The total power generation in the country during the year 2008-09 was 723.794 billion units as compared to 704.451 billion units generated during last year registering a growth of 2.74%.

The sector wise break up as well as fuel wise break-up of generation for the year 2008-09 is detailed as under:

Total Generation	Billion Units	% share
State Sector	344.975	47.7%
Central Sector	304.033	42.0%
Pvt. Sector	68.887	9.5%
Others	5.899	0.8%
Total	**723.794**	**100%**

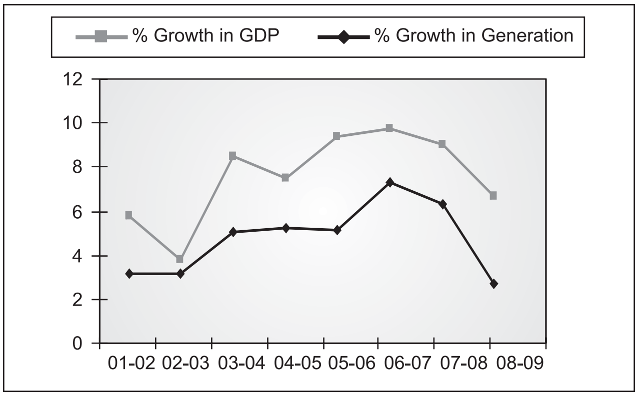
Total Generation	Billion Units	% share
Thermal	590.101	81.6%
Hydro	113.081	15.6%
Nuclear	14.713	2.0%
Others	5.899	0.8%
Total	**723.794**	**100%**

Source: CEA's executive summary

Although the State Sector accounts for 51.4% of installed capacity, its contribution to national generation is only 47.7%. Central Sector utilities have better performing stations as compared to those of State utilities and contribute 42% of nation's generation with a share of 33.1% in installed capacity.

Demand and Supply position

As per Global Economic outlook (January, 2009) of the Economist, India's GDP is still expected to grow next only to China in the range of 8.3% to 6.5% per annum in comparison to negative GDP growth predicted for all the other major economies in the world. In a recent report issued by World Bank on 'Prospects of Global Economy', in the year 2010, the estimated growth of GDP of 8.0% in India will overtake the GDP growth of 7.5% estimated for China. In order to sustain the above GDP growth rate, the Power Sector also needs to grow at an appropriate pace in the medium to long term. However, the past trend shows otherwise. The growth of GDP vis-à-vis growth in gross generation of power for the last 8 years is given below:



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. At the end of fiscal 2009, the energy shortage was at 11.1% and peaking shortage was at 11.9% indicating huge gap between demand and supply of electricity. The demand and supply position during the last five year 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%

MU denotes Million units, Source: Executive Summary of CEA.

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. As per 'Eleventh Five Year Plan' of planning commission, India is world's 5th largest energy consumer accounting for 3.45% of global energy consumption. However, the per capita energy consumption in India remains low. Energy consumption includes electricity, petrol, gas, coal, firewood etc. The per capita consumption of electricity of 704 Kwh in India is quite low as compared to global average of 3240 Kwh. The per capita electricity consumption of major developed nations and other major emerging economies as of 2006/2007 is given below:

Country	Per Capita Electricity Consumption in Kwh	Country	Per Capita Electricity Consumption in Kwh
USA	12924	Malaysia	3725
Australia	10721	China	2179
Japan	7702	Brazil	2117
South Korea	7516	Mexico	1858
Russia	6969	Egypt	1276
U.K.	5774	India*	704
		World Avg	3240

Source: CIA World factbook; * for the year 2007-08 as per CEA

Capacity Utilisation

Capacity utilisation in the Indian power sector is measured by Plant Load Factor (PLF). The PLF for coal-fired plants during 2008-09 was 77.19% as compared to 78.60% during 2007-08. The reduction in PLF is due to negative growth in power generation from hydro stations mainly due to less inflow into reservoirs resulting from low rainfall during monsoon. Generation of power from nuclear power stations also registered negative growth owing to fuel supply constraint.

TRANSMISSION AND DISTRIBUTION

Currently India has Transmission and Distribution network of 6.78 million circuit kilometres which is the third largest in the world. In India, the power transmission and distribution (T&D) system is a three-tier structure comprising of distribution net-works, 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. Powergrid 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. Development of strong National Grid has become a necessity to ensure optimal supply of power to all. Transmission system planning has shifted from generation evacuation system planning to integrated system planning. 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 2009 is 20,750 MW as compared to 17,000 MW at end of fiscal 2008. 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.

POLICY FRAMEWORK

Responsibility for the development of the power industry is shared between the Central Government and the State Governments. 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 advises the MoP on electricity policy and technical matters. The government has constituted CERC as per legislative requirement 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, 2009 all the states except Arunachal Pradesh have set up their Regulatory Commissions. In addition, two Joint Electricity Regulatory Commissions have been set up for Manipur & Mizoram and Goa & UTs. 16 states have unbundled so far into Generation Cos., Transmission Cos., and Distribution Cos. Chattisgarh State Electricity Board has recently unbundled into 5 different companies.

Broadly various reforms ushered in by amending the legislative framework in power sector are:

1. Promulgation of the **Electricity Act 2003**. The Act promoted a liberal, transparent and enabling legal framework for power development for creation of a competitive environment and reforming distribution segment of power industry.
2. EA 2003 allowed open access in transmission and distribution.
3. Regulatory oversight for fixation of tariff, Licensing, Open Access and Market Development.
4. Multiple licenses in distribution allowed.
5. **National Electricity Policy (NEP) 2005 issued.**
6. **Tariff Policy 2006 issued.**
7. Appellate Tribunal operationalized in 2005 to hear appeals against orders of Electricity Regulatory Commissions.
8. **Rural Electricity Policy** launched in August'2006- joint efforts of Central Government and the State Governments to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.
9. No licence is required for sale from captive units.
10. Definition of theft expanded to cover the use of tampered meters and use for unauthorized purpose. Theft is made explicitly cognizable and non-bailable.
11. **National Hydro Policy launched in fiscal 2008**- Amongst other area of thrust, private producers can undertake Hydro projects based on PPA route with a facility of merchant sale upto 40% from saleable energy from hydro plant.

POWER TRADING

Trading of power is recognized as a distinct license activity under the EA 2003. The Central and State Electricity Regulatory Commissions have powers to grant inter state and intra-state trading licenses. So far CERC has granted 43 inter state trading licences, of which 41 are in existence as on 31.3.2009.

India's first power exchange - Indian Energy Exchange (IEX) became operational and trading was launched on June 27, 2008. The IEX is promoted by Financial Technologies (India) Limited (FTIL) and PTC India Financial Services Ltd. Another power exchange namely Power Exchange India Limited (PXIL), promoted by NSE and National Commodities & Derivatives Exchange Ltd. (NCDEX), started operations from October 22, 2008. Both the power exchanges are operating successfully 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.

During fiscal 2009, 21.92 BUs were traded in the country representing around 3% of total generation in the country. (Source: Economic Survey 2008-09)

Latest Developments in Power Sector

- **CERC's 2009-14 Regulations**

With an objective of making investment in generation and transmission infrastructure more attractive without compromising consumer interest, on January 19, 2009, CERC announced tariff regulation for power generation and transmission for 2009-14. The key high lights are as under:

- The base rate of RoE raised from 14% (post tax) to 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.
- To boost the hydro power sector, CERC has insulated new hydro projects from shortfalls in generation resulting from hydrological factors for a period of 10 years after COD. If there is an energy shortfall the energy charge for the following year would be computed on the basis of actual power generated rather than designed power generation.
- For hydro plants Normative Annual Plant Availability Factor (NAPAF) fixed.
- Advance against depreciation removed.
- Depreciation rates to be calculated annually using straight line method as per Companies Act. The salvage value of assets fixed at 10%. After initial 12 years, the remaining depreciation to be spread over the rest of useful life of the asset.
- O&M expenses recoverable on normative basis for thermal and hydro plants. For transmission systems, O&M costs would be calculated by multiplying number of bays and Kilometers of line length with the benchmarks set for the year.
- The availability targets for thermal power plants raised from 80% to 85% to recover fixed costs.
- Incentives linked to plant availability factor instead of PLF for thermal plants.
- Normative auxiliary consumption reduced in certain unit sizes.
- Reduction in normative heat rate for units of 500 MW size
- Recovery of capacity charge, energy charge, transmission charge and incentives would be based on operational performance.
- The norm for secondary oil consumption reduced from 2 ml per unit to 1 ml per unit, the savings in secondary oil consumption are to be shared with the beneficiaries in the 50:50 ratio.
- Generation / Transmission project developer can retain 100% carbon credits in the first year following the date of commercial operation.
- Generation/Transmission companies can hedge foreign exchange exposure with respect to interest on foreign currency loans and repayment of loan. Recovery of the cost of hedging and foreign exchange variation to be made directly without any application to the CERC.

- **Competitive bidding tariff guidelines amended**

Ministry of Power in January 2005 issued guidelines for tariff determination through bidding for procurement of power by distribution licensees with an objective to facilitate transparency and fairness in the procurement process, facilitate reduction of information asymmetries for various bidders and protect consumer interest by facilitating competition. The guidelines have been recently amended to encourage sale of electricity outside the ambit of long term PPAs. Key highlights of amendment are:

1. Guidelines will be applicable for 15% of the new generating capacity which may be sold outside long term PPAs to promote market development.
2. Separate Request For Proposal (RFPs) to be invited for base load and peak load and seasonal load requirements.
3. Provision for multi-part tariff for procurement under Case 2 bidding.
4. Hydro power tariff can be determined by the SERC provided 60% of the total saleable energy is committed to a long term PPA.

- **Amendment to short term inter-state open access regulations**

With the objective of streamlining and rationalizing inter-state open access, the following provisions have been made by CERC:

- In case the State Load Dispatch Centre does not give concurrence to an inter-state open access proposal in 7 working days on first occasion and 3 working days on subsequent occasion, the concurrence of the LDC shall be deemed to have been given.
- The State Load Dispatch Centres will check only two parameters i.e. availability of transmission capacity and availability of metering infrastructure.
- Open access customer can now request for change in schedule at notice of two days instead of the presently provided period of five days.
- The transmission charges for short-term open access have been rationalized.
- Charges on short-term open access will be disbursed directly to the long term customer by RLDC instead of routing the same through Central Transmission Utility.
- All disputes under inter-state access regulation to be decided by CERC.

- **R-APDRP**

Accelerated Power Development and Reforms Programme (APDRP) was launched in X Plan by Govt. of India. This programme was modified and renamed as Restructured APDRP (R-APDRP) in 2007-08. The R-APDRP is linked to actual demonstrable performance in terms of AT&C loss reduction to 15% or less by the end of XI plan. Establishment of reliable automated systems for collection of accurate baseline data and the adoption of information technology in the areas of energy accounting are necessary preconditions for sanctioning of projects for strengthening and up-gradation of sub-transmission and distribution network. It also includes adoption of IT applications for meter reading, billing and collection, energy accounting and auditing, management information systems, redressal of consumer grievances and establishment of IT-enabled consumer service centres, besides asset mapping of the distribution network. Since its launch, the R-APDRP has made rapid headway and by February 2009, had sanctioned 599 projects in various towns and cities at a cost of Rs. 19.5 billion. Andhra Pradesh, Karnataka and Rajasthan together account for over 55 per cent of the total amount sanctioned so far. AT&C losses are showing a declining trend and have come down from 38.86% in 2001-02 to 33.07% in 2006-07. (Source: Economic Survey 2008-09)

- **Rural Electrification**

As per Central Electricity Authority (CEA), over 82% villages have been electrified. The Central Govt. launched a scheme "Rajiv Gandhi Grameen Vidyutikaran Yojana" (RGGVY) in April 2005 with the goal of electrifying all (around 125000) un-electrified villages and hamlets and providing access to electricity to all households in next five years. Under RGGVY, 59,882 villages have been electrified and connections to 53.78 lakh BPL households have been released up to 31.3.2009. (Source: Economic Survey 2008-09)

- **100 days Agenda**

There has been a concerted effort to ensure that development in Power sector is not derailed. For the short term, a 100 days agenda has been drawn by MoP with a capacity addition target of 5,653 MW. Also, a high level committee /group has been set up to monitor ongoing projects and ensure their timely commissioning. Accordingly, your company also had drawn 100 days agenda which was part of overall plan of MoP for 100 days.

OPPORTUNITIES AND THREATS

Continuity in Government agenda

Energy security continues to be the focus area of new Govt. which is expected to maximise the potential of all energy sources - coal, gas, hydro and nuclear. There will be a higher thrust for achieving an installed capacity of over 2,00,000 MW and providing "Power for all" by 2012.

Enabling Legislation

As discussed above, considerable impetus has been laid by Govt. of India to attract investment in power sector by developing a transparent and competitive legislative framework. 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.

Persisting Shortages

Though there has been substantial growth in the power generation in the country, the demand is also increasing rapidly and as result the Indian Power sector continues to face shortages. While demand always outstrips the supply of power in India, during last year, even the base load deficit has moved into double digit. The CAGR of demand for last 5 years is 6.80% as against CAGR of 5.88% for supply of electricity. The main reasons for increased demand of power consumption are:

- Rapid economic growth and faster industrialization.
- Increasing per capita income level and changing life style.
- More and more number of rural areas and remote villages getting access to electricity supply.

Need for Acceleration in capacity addition

As per Integrated Energy Policy issued by Planning Commission, the energy requirement considering 8% growth in GDP over next 23 years is as under:

Year	Installed Capacity Req. (GW)	Energy Req. (Billion Kwh)
2008-09*	147	735
2011-12	220	1097
2016-17	306	1524
2021-22	425	2118
2026-27	575	2886
2031-32	778	3880

Source: Integrated Energy Policy, Planning Commission
* Actuals as per CEA

Even after the global meltdown, the Indian economy is growing steadily. For the last 5 years the average growth in GDP is 8.46%.

The Government of India has drawn a capacity addition target of 78,700 MW during XI Plan, on an average adding a capacity of over 15,000 MW per annum in the country. As against the target, 9,263 MW and 3,454 MW were added during 2007-08 and 2008-09 respectively. As per MOP, projects having an aggregate capacity of over 65,000 MW are under implementation.

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 launched development of coal based Ultra Mega Power Projects (UMPPs), each with a capacity of 4000 MW or above under Public -Private Partnership mode. So far 4 such projects have been awarded namely Sasan in MP, Mundra in Gujarat, Krishnapatnam in AP and Tilaiya in Jharkhand. Two of these projects have linked coal mines while the other two are based on imported fuel.

Fuel Security Mechanism

During fiscal 2009, 66% of total power generation was from coal stations. Although the coal production of 493.20 Million Tonnes was higher by 8% over last year's production of 457.08 Million Tonnes, only 351.04 Million Tonnes was received by coal power stations in the country against coal linkage of 395 Million Tonnes. This shortage was partly made good by importing 60 Million Tonnes of coal during 2008-09. (Source: Economic Survey 2008-09)

Although India has total coal reserves estimated at 257 Billion Tonnes (proven reserves of around 99 Billion Tonnes, indicated reserves of 120 Billion Tonnes and balance inferred), the known coal reserves are expected to exhaust in about 45 years, assuming an annual growth in domestic production of 5% as per Integrated Energy Policy issued by Planning Commission. Going forward, coal will remain the main stay for power generation in India. However, it would be a challenge to diversify the fuel basket to reduce uncertainties of supply of energy.

India is endowed with an estimated hydro power potential of more than 150,000 MW. However, installed capacity of hydro electric projects is only 36,878 MW contributing to only 24.9% of the fuel basket. Hydro- electric power contributed 15.62% of total generation during last fiscal. The share in generation is low since hydro projects are dependent on the rain fall and are used exclusively 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.There are 40 hydro projects with an aggregate capacity of 13,085 MW under construction. Private sector participation has been increasing; there are 11 schemes undertaken by private companies with an installed capacity of 4,111 MW under construction. (Source: Economic Survey 2008-09)

Gas based power stations accounted for 10% of nation's capacity during last fiscal. It is expected to retain its share by adding 6,843 MW during XI plan. The total proven and indicative reserves of natural gas at the end of 2007 were estimated at 1060 million cubic meters. During 2008-09, total gas production was 90 MMSCMD. In addition around 30 MMSCMD of LNG was imported (source MoPNG). The supply is expected to increase to 200 MMSCMD by 2012 mainly due to participation by private sector players. The improved gas supply is however limited by the infrastructure available for transmission and distribution. The gas transmission network is around 9500 kms (GAIL accounting for 7000 kms, 1375 kms owned by RGTIL and 1130 owned by GSPL) as on 31.3.2009 and is mainly concentrated in Western and North Western India.

Health of customers

The average electricity tariffs are lower than the average cost of supply (cost of generation plus T&D costs). T&D losses represent the difference in the amount of electricity supplied and the amount actually metered. High T&D losses are also attributed to the transmission and distribution of a large amount of power at low voltage. The gap between average tariff and average cost of supply, which was historically high, has declined to around 49 paisa per kWh in 2006-07.

The main reason for this high gap is the increasing annual losses of SEBs on account of inadequate metering and theft of electricity. The tariffs for agricultural and domestic consumers is subsidised in most states. To compensate for this, most states charge much higher tariffs to commercial and industrial consumers. Even after the enactment of EA 2003, only 16 SEBs have unbundled so far and they continue to work under administrative control of respective State Governments. Cross subsidisation of tariff remains an issue impacting the financial health of SEBs.

While some progress has been made on account of metering, agriculture segment lags behind with less than 40% of consumers being metered. There are about 150 million electricity consumers in India with domestic consumers having the largest share of 79% followed by commercial segment at 10%, agriculture at 8%, industrial segment at 1% and balance 2% is represented by others, such as railway traction etc.

Development of Renewable Energy Sources (RES) for generation of power

RES of 13,242 MW accounting for 9% of total installed capacity, is targeted to grow to over 24,300 MW contributing to 11% of fuel basket by 2012. Over the longer term, its importance would be more strategic in view of its important role in mitigating the effects of climate change. It is imperative for India to build a certain level of self-reliance in renewable technologies of the future. The Government, in its quest for long-term energy and environmental security, is seeking to enhance the share of power from renewable sources in the overall fuel basket. India has potential for 45,000 - 65,000 MW of on shore wind power. 70% of renewable energy is contributed by wind power generation. During past one year, solar energy, which currently contributes a little over 2 MW to the grid, received a significant boost with the National Action Plan for Climate Change mandating the setting up of a National Solar Mission. The mission is targeting 20,000 MW of solar based capacity by 2020.

The steps taken by Govt. for increasing generation from renewable energy resources are:

- 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 12 States have already specified the percentage -Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Kerala, Haryana, Maharashtra, Uttar Pradesh and West Bengal. (Source: Ministry of New and Renewable Energy)
- Tariff Policy provides for competitive bidding for procurement of power from such sources - bidding to be done amongst suppliers offering power from same type of renewable source.
- Procurement of power at preferential tariffs to be allowed by SERC.
- Special scheme by MNRE for promoting solar power and plans for Generation Based Incentives under National Solar Mission.
- CERC is in the process of finalization of regulations for sale of power generated based on RES.

Problems faced for development of RES

- Power generation from renewables increases the uncertainty in accurate availability of power which in turn affects grid reliability and operations.
- The developer of renewable generation has to provide for transmission line for power evacuation from the plant to the nearest HT Sub-station unlike conventional plants where transmission utility evacuates power.
- The PPA for renewables requires the developer to guarantee the supply of a certain quantity of electricity. However, it does not require the transmission utility to provide any guarantee for grid availability.
- The wind generation requires back-up capacity between the forecast and actual generation posing difficulty in open access and scheduling the power.

Wind energy has separate grid codes in major wind based power generating countries. A draft grid code is under development for wind power.

OUTLOOK

Power sector in India is experiencing continuous growth in line with growth of Indian economy. The fuel mix is getting further diversified with more power generation expected from gas, nuclear and RES. Achieving Energy Security is a step towards achieving self-reliance in energy sector.

The main objective of India's energy security programme would be:

- To reduce uncertainties of supply of energy.
- To reduce price vulnerability.

- Minimize the risk of non-availability of energy sources during emergency situations.
- Minimize the risks arising out of equipment failures.

As regards enhancing fuel security, Govt. has taken measures such as allotting coal mines to power generating companies in Central sector, State sector and Private sector companies, paving way for appointment of a Coal Regulator, allowing 100 % FDI in coal mining for captive purpose to power companies and creating a SPV for acquiring coal assets abroad with an equity base of Rs. 35,000 million.

In order to reduce supply risk, Govt. has already initiated bulk ordering of capital equipment for 11 units with a stipulation that selected contractors would set up manufacturing facility in India resulting in transfer of technology.

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 29% of nation's generation.

	All India	NTPC	% share
Capacity (MW)	147,965	27,850	18.82%
Generation (MU)	723,794	206,939	28.59%
Capacity incl. JVs (MW)	147,965	30,144	20.37%
Generation incl. JVs (MU)	723,794	212,539	29.36%

Source: All India Data - CEA's executive summary

Your Company is 25th largest amongst listed global utilities as per Forbes Global 2000 ranking published in the year 2009. It is also ranked as fourth amongst Asian utilities after Korea Electric Power Company, Korea, Kansai Electric Power, Japan and Chubu Electric Power, Japan and also as 317th largest company in the world by Forbes Global 2000.

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

PLF COMPARISON (%)

	2008-09	2007-08	Increase
Central sector	84.30	86.74	-2.44
State sector	71.17	71.89	-0.72
Pvt sector	91.01	90.77	0.24
National avg.	77.19	78.61	-1.42
NTPC	91.14	92.24	-1.10

After excluding your Company's PLF, national average PLF will reduce to 72.23% approximately during fiscal 2009 as compared to 73.60% approximately during last fiscal.

National Availability Factor for coal stations was 85.04% during fiscal 2009 as compared to 84.76% last year. As against national AVF, your Company's coal stations had AVF of 92.23% during fiscal 2009 as compared to 93.86% last year.

COMPETITION

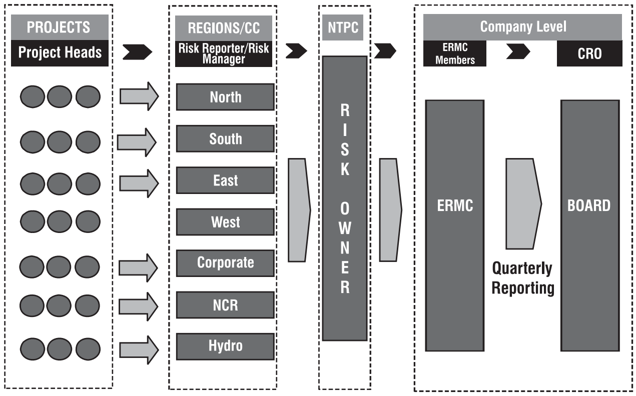
Being the largest power generating company in the country with market share of 20% in terms of installed capacity and about 29% in terms of national generation, your Company is a dominant player in the field of generation. The entity with the next largest market share of 7.14% is Maharashtra State Generating Co. which has an installed capacity of 10,563 MW. With the capacity expansion plans in place, your Company is poised to retain its leadership position in future as well even though the competition may increase due to enhanced investments in the sector ushered by reforms.

RISKS AND CONCERNS

The Company has to sustain its leadership position in the country by growing at a CAGR of 10.59% till 2017 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.

The strategies adopted to achieve above activities make us susceptible to various risks. We have taken adequate measures to address such concerns by developing adequate systems and practices. In order to institutionalize the risk management in the Company, an elaborate Enterprise wide Risk Management framework is being finalized. As part of the implementation of ERM framework, an Enterprise Risk Management Committee (ERMC) with various Executive Directors as its members, has been constituted with an objective to review & strengthen the risk management framework. Enterprise risk management committee after deliberations has identified enterprise wide risk and various action plans for short term as well as long term are being formulated to mitigate these risks.

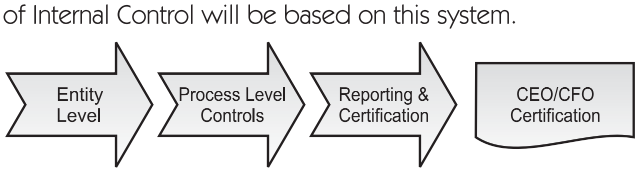
Overall flow of risk information



INTERNAL CONTROL

Your Company has robust internal systems and processes in place for smooth and efficient conduct of business. Your Company complies with relevant laws and regulations. Suitable delegation of power and also the guidelines for preparation of accounts have been issued 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.

During last fiscal, 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 is presently under implementation phase and is aimed at providing elaborate system of checks and balances based on self assessment as well as audit of controls conducted by Internal Audit at process level. The system will facilitate identification of gaps, if any, under design or operational phase and reporting of the same to Audit Committee. The CEO/CFO certification on adequacy of Internal Control will be based on this system.



This will go a long way in reinforcing the commitment to adopt best corporate governance practices in respect of internal controls over financial reporting.

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 YoY performance.

A Results of Operations

1 Gross Income

	Fiscal 2009	Fiscal 2008	% Change
Units of electricity sold (million units)	193688	187988	3.03%
Income	**Amount in Rs. Million**		
Energy Sales (Excl Electricity Duty)	417,913	369,462	13.11%
Energy Internally Consumed	514	409	25.67%
Consultancy & other services	1,325	1,039	27.53%
Other income (excluding income related to OTSS*)	21,330	16,242	31.33%
Income related to OTSS *	11,476	12,961	-11.46%
Gross Income	**452,558**	**400,113**	**13.11%**

*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 and bonds (issued under one-time-settlement scheme). The gross income for fiscal 2009 is Rs.452,558 million as against Rs.400,113 million in the previous year registering an increase of 13%. This gross income excludes provisions written back. Each element of income is discussed below.

1.1 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 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 agreements are renewed or extended upon expiry of the initial term.

Income from sale of electricity for the fiscal 2009 was Rs.417,913 million which constituted 92% of the gross income. The income from sale of electricity has increased by 13% over the previous year's income of Rs. 369,462 million partly due to increase in fuel cost which is a pass through and partly due to a 3.03%

increase in units sold as a result of increase in the commercial capacity by 2000 MW comprising two units of 500 MW each of Sipat Stage-II and Kahalgaon Stage II. Sale of electricity is also higher on account of one unit of Vindhyachal-III (500 MW), which was in commercial operation for the entire fiscal 2009 as compared to part of fiscal 2008. In line with tariff regulations, income from sale of electricity also includes the actual tax payments in respect of generation business recoverable from the customers amounting to Rs.7,583 million for fiscal 2009 as against Rs.22,761 million for the last fiscal. The reduction in tax recoverable from customers is primarily due to receipt of income tax refund amounting to Rs.13,953 million pertaining to previous years received during fiscal 2009, of which Rs.11,553 million is payable to customers. If the income tax recoverable from beneficiaries is excluded from income from sale of electricity, it has increased by 18% over last fiscal.

The average selling price this year has increased to Rs. 2.12 per unit compared to Rs. 1.84 per unit in the previous year. The increase is mainly due to increase in variable changes on account of fuel and partly due to increase in fixed charges. The average tariff includes adjustments pertaining to previous years. Excluding adjustment of sales pertaining to previous period, the average selling price would be Rs. 2.07 per unit in the current year as against Rs. 1.79 per unit in the previous year.

There has been 100% realization of the dues during the last six 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. In order to ensure prompt and early payment of bills for supply of energy to beneficiaries, your company has formulated an innovative 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. This has resulted in realization of nearly 66% of the energy bill within a week of presentation of bill for the month.

Tariffs

The charges for electricity are based on tariff rates determined by the CERC. The tariff rates consist of a fixed charge which is recoverable based on plant availability, variable charges on account 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.

Since April 1, 2004, our tariffs are determined pursuant to the CERC's tariff regulations applicable for fiscal 2005 to fiscal 2009. The significant elements of the fixed charges permissible under the regulations are:

- Return on equity at 14%, on a post-tax basis based on a prescribed 70:30 debt to equity ratio for new projects.
- Actual interest cost incurred on normative debt.
- Interest on working capital determined on a normative basis.
- Depreciation on plant and machinery calculated at 3.6% for coal based stations and 6% for gas based stations.
- Normative operation and maintenance costs determined by the CERC based on size of unit, on a per megawatt basis.

Variable 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.

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

- Incentives payable at the rate of Rs. 0.25 per unit for operating plants at PLF of more than 80%.
- Exchange rate variations as per Regulations.
- The unscheduled interchange charge payable (or receivable) at rates prescribed in the Regulations.
- Taxes related to income arising from the generation activities of the Company are recoverable from the customers.

Tariff for all the stations is based on orders issued by CERC. Final tariff orders have been issued for Vindhyachal-III and Unchahar-III, during the fiscal 2009. For the rest of the stations tariff orders were issued prior to fiscal 2009.

CERC has issued new Tariff Regulations for the period 2009-14, which is a balanced regulation for both consumers and investors.

Provisional Tariffs

In case of stations where CERC has not yet fixed the

final tariff, revenues are booked based on the assessment of the likely final tariff based on the CERC regulations. When CERC fixes the final tariff for these stations, adjustments are made to revenues on the basis of the final order to the extent of the difference between the provisionally booked revenues and the revenues based on the tariffs determined by CERC.

CERC is yet to issue final tariff orders in respect of two stations, namely, unit 1 and 2 each of Sipat-II and Kahalgaon-II. Accordingly, sales of Rs.13,172 million for fiscal 2009 relating to these units/stations have been recognized on provisional basis (explained in note 2(a) of Note on Accounts, Schedule-26).In addition sales of Rs. 14,402 million in respect of Badarpur Thermal Power Station has been provisionally recognized on the basis of principles enunciated under CERC Regulations, 2004. (explained in note 2(c) of Note on Accounts, Schedule-26).

1.2 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 by 26% is commensurate with increase in fuel charges over the previous year.

1.3 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 1,325 million as against Rs. 1,039 million achieved in the last fiscal. In the fiscal 2009, it has recorded a profit of Rs. 452 million as against Rs. 368 million in the last fiscal. A total of 53 orders valued at Rs 1,888 million were secured by the Division during the year including 7 overseas assignments of Rs 40 million.

1.4 Other Income

'Other income' in fiscal 2009 was Rs. 32,806 million as compared to Rs. 29,203 million in the fiscal 2008. Broadly the break up of other income is as under:

Rs Million

	Fiscal 2009	Fiscal 2008
Interest for the year on tax free bonds /Loan to State Govt.	11,476	12,961
Income on investment of surplus cash	16,270	14,136
Dividend from JVs and Subsidiaries/Interest from subsidiaries	180	110
Income earned on other heads such as hire charges, profit on disposal of assets, etc	3,705	2,391
Interest on income tax refunds (non-recurring)	2,199	-
Total	**33,830**	**29,598**
Less: Transfer to EDC/ development of coal mines	414	395
Less: Transfer to Deferred Foreign Currency Fluctuation Liability	610	
Net other income	**32,806**	**29,203**

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

Interest income from OTSS bonds for fiscal 2009 is Rs.11,476 million as compared to Rs. 12,961 million in fiscal 2008.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. This reduction in interest income on OTSS bonds is partially offset by increase in income of Rs.2,134 million earned on account of investments made from surplus cash. The income on investment of surplus cash has registered a 15% increase over last fiscal. The income on investment of surplus cash also includes dividend earned from mutual fund investments amounting to Rs.361 million.

We have earned Rs.138 million as dividend from our investments in joint venture and subsidiary companies. Another Rs.42 million has been earned as interest from loan of Rs.300 million extended to Kanti Bijlee Utpadan Nigam Limited, one of our subsidiaries. Further, an amount of Rs.3,705 million has been earned from various other sources such as hire charges, profit on disposal of assets, interest on loans to joint venture company etc. as compared to Rs.2,391 million earned in the last fiscal, registering an increase of 55%. The increase is mainly due to increase in interest received from customers as per CERC regulations. This also includes interest of Rs.220 million earned during the current year from loan of Rs.1,700 million extended to Ratnagiri Gas and Power Private Ltd., a joint venture company.

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 has become payable to your company and the interest earned on this refund amounting to Rs.2,199 million has been accounted under "other income" for fiscal 2009.

1.5 Adjusted Gross Income

The gross income reported for the year includes certain revenues pertaining to previous years. The revenues from sale of electricity for the fiscal 2009 include Rs.10,201 million pertaining to previous years which have been recognized in sales based on the orders of the CERC /Appellate Tribunal (explained in note 2(d) of Note on Accounts, Schedule-26). Similarly, for fiscal 2008, an amount of Rs.11,336 million pertaining to previous years was included in the sales.

As per CERC Tariff Regulations, 2004 exchange rate variation on interest payments and loan repayments corresponding to the normative loans considered for tariff of stations/units is payable/ recoverable to/from the beneficiaries on repayment of the loans and interest thereon. Pursuant to opinion of Expert Advisory Committee of the ICAI, 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 is accounted for by creating a deferred liability/asset in the accounts instead of adjusting the same in the profit & loss account. Such exchange differences recoverable from customers amounting to Rs.1,894 million were accounted in the sales during fiscal 2009 as against Rs. 250 million accounted in previous year.

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

Rs Million

	Fiscal 2009	Fiscal 2008
Gross Income	452,558	400,113
Less:		
Sales of previous years	10,201	11,336
Exchange Fluctuation receivable from customers	1,894	250
Interest on income tax refunds	2,199	-
Adjusted Gross Income	**438,264**	**388,527**

2 Expenditure

2.1 Expenditure related to operations

Rs.Million

Expenditures	Fiscal 2009	Rs per kwh	Fiscal 2008	Rs per kwh
Commercial Generation -MU	206156		200280	
Fuel	271,107	1.32	220,202	1.10
Employees' remuneration and benefits	24,631	0.12	18,960	0.10
Generation, administration and other expenses	18,192	0.09	16,284	0.08
Total	**313,930**	**1.53**	**255,446**	**1.28**

The expenditure incurred on fuel, employees, generation, administration and other expenses for the fiscal 2009 was Rs.313,930 million which is 23% more than the expenditure of Rs.255,446 million incurred during the previous year. In terms of expenses per unit of power produced, it was Rs. 1.53 per unit in fiscal 2009 in comparison to Rs. 1.28 per unit in the previous year. This increase is mainly due to increase in imported coal consumption and also increase in transportation cost of coal. The increase in commercial generation due to additional capitalization has resulted in an additional operational expenditure of Rs.10,764 million. A discussion on each of these components is given below.

2.1.1 Fuel

Expenditure on fuel constituted 86% of the total expenditure relating to operations, same as in previous year. Expenditure on fuel was Rs.271,107 million in fiscal 2009 in comparison to Rs. 220,202 million in fiscal 2008 representing an increase of 23%.The break-up of fuel cost in percentage terms is as under:

	Fiscal 2009	Fiscal 2008
Fuel cost (Rs./million)	**271,107**	**220,202**
	% break-up	
Coal	70%	70%
Gas	15%	17%
Oil	10%	8%
Naphtha	5%	5%

The higher fuel expenses were mainly due to increase in fuel prices. Coal India Limited (CIL) had increased

the price of coal from December 13, 2007 by about 10%. This increase was reflected only for last quarter during fiscal 2008 while increase is reflected for full year during fiscal 2009. There has also been increase in the price of gas and oil during fiscal 2009. Fuel cost per unit generated increased to Rs.1.32 in fiscal 2009 from Rs. 1.10 in fiscal 2008.The increase in fuel cost due to addition of commercial capacity is Rs. 9,249 million.

The power plants of the company use Coal and natural gas as the primary fuels. The 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. A model Coal Supply Agreement (CSA) has been signed with CIL on May 29, 2009 which is valid for 20 years with a provision for review after every 5 years.

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.

Separate CSAs have to be signed by each station with the respective subsidiaries of CIL. Six stations have signed CSAs with CIL subsidiaries in line with model CSA till July 27, 2009.

During the fiscal 2009, coal based stations consumed 129.49 Million Tonnes of coal as against 123.96 Million Tonnes in the fiscal 2008.This was including 4.71 Million Tonnes of coal which was imported as compared to 2.63 Million Tonnes imported in fiscal 2008.

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. 10.76 Million Metric Standard Cubic Meters per Day (MMSCMD) of gas was received during the fiscal 2009 as against 11.80 MMSCMD received in fiscal 2008. This includes 2.08 MMSCMD of spot gas and fall back RNLG as compared to 2.81 MMSCMD of spot gas last year. The reduction in the supply of APM/PMT gas was on account of shutdown of the ONGC platforms in June 08, Jan 09 and March 09. Further, due to high prices of spot RLNG till July 08, there were fewer schedules received from the beneficiaries on RLNG, Further, since October 08 onwards, there was a fall in crude oil prices resulting in Naphtha price becoming cheaper than Spot RLNG. Accordingly, liquid fuel consumption at the stations increased due to higher scheduling by the beneficiaries on Naphtha as it was cheaper.

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 2009, supplies to the extent of 730.05 MMSCM were received from the various suppliers. Further, supplies were also received from IOCL on "fall back" basis to the extent of 10.62 MMSCM. Thus, the total consumption of RLNG during the year was 740.67 MMSCM.

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 2009, 0.923 million MTs of naphtha was consumed as against 0.683 million MTs in the previous year.

2.1.2 Employees' Remuneration and Benefits

Employees' remuneration and other benefits have increased by 30% from Rs. 18,960 million in fiscal 2008 to Rs.24,631 million in fiscal 2009. 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 8% of our operational expenditure in fiscal 2009 as compared to 7% in fiscal 2008.

The primary reason for increase in employee cost is the increase in provision made for pay revision of the employees of the Company which is due w.e.f. 1st January 2007. Pending implementation of pay revision, provision of Rs.5,342 million has been updated for fiscal 2009 as compared to a provision of Rs.4,094 million for fiscal 2008 towards wage revision on an estimated basis having regard to the guidelines issued by Department of Public Enterprises, GOI. Out of the total wage provision of Rs. 5,342 million, an amount of Rs. 3,142 million has been paid as ad-hoc advance towards pay revision (explained in note 5 of Note on Accounts, Schedule-26).

On acceptance of recommendation of 2nd pay revision committee by the Govt of India increasing the ceiling of gratuity payment to Rs. 1 million from Rs. 0.35 million for an employee, during fiscal 2009, an amount of Rs.4,837 million has been recognized as expense for gratuity/ pension as compared to Rs.572 million last fiscal (explained in note 16 of Note on Accounts, Schedule-26). The balance increase includes additional incentives and other related benefits to employees alongwith normal annual increase in employee remuneration and benefits. This resulted in an increase in the employee cost per unit of generation from Rs.0.10 in the previous fiscal to Rs.0.12 in the current fiscal. The increase in employee cost due to additional commercial capacity is Rs.868 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 represent approximately 6% of our operational expenditure in fiscal 2009, same as in fiscal 2008. In absolute terms, these expenses increased to Rs.18,192 million in fiscal 2009 from Rs. 16,284 million in fiscal 2008 registering a hike of 12%. In term of expenses per unit of generation, it was Rs. 0.09 in fiscal 2009 as compared to Rs. 0.08 in previous fiscal. An amount of Rs. 647 million out of the above of Rs.1,908 million increase is attributable to addition of commercial capacity during fiscal 2009.

Repair & Maintenance expenses constitute 60% of total Generation, Administration and Other Expenses and have increased to Rs. 10,992 million from Rs. 10,255 million resulting in an increase of 7%.

The other increase in generation & administration expenses is mainly attributable to increase in miscellaneous expenses. The miscellaneous expenses have increased to Rs.1,027 million in fiscal 2009 from Rs. 477 million mainly due to Rs.531 million on account of arbitration award issued against the Company for one of our gas projects.

2.1.4 Adjusted Expenditure related to Operations

The expenses pertaining to employees remuneration & benefits and generation, administration and other expenses incurred at Corporate Centre (CC)/ Regional Headquarters/T&CC offices and which are common to operation and construction activities were hitherto allocated to Profit & Loss A/c and Incidental Expenditure during Construction (IEDC) in proportion of sales to annual capital outlay in the case of Corporate Office and sales to accretion to capital work-in-progress in the case of projects. Such CC expenses allocated to projects along-with expenses of the projects treated as IEDC were included in the cost of the related assets. This treatment of IEDC was as per the provisions of Accounting Standard (AS) 10 on 'Accounting for Fixed Assets' notified under the Companies (Accounting Standards) Rules, 2006 and the 'Guidance Note on Treatment of Expenditure during Construction Period' issued by the ICAI. During the fiscal 2009, due to withdrawl of the 'Guidance Note on Treatment of Expenditure during Construction Period' by the ICAI, your Company has modified accounting policy in relation to 'Treatment of Expenditure during Construction Period'. The administration and general overhead expenses directly attributable to construction of fixed assets at the corporate office and construction projects were allocated on a systematic basis and included the same in the cost of related assets and shown in the Schedule no. 25 renamed as 'Expenditure During Construction Period (Net)'. Thus profit for the fiscal 2009 are lower by Rs. 733 million due to reduced capitalization of expenses by lower transfer to EDC (explained in note 13b of Note on Accounts, Schedule-26).

If the impact of wage revision is adjusted, the operational expenditure for the fiscal 2009 and fiscal 2008 would be as follows:

Rs Million

	Fiscal 2009	Fiscal 2008
Total Expenditure related to Operations	313,930	255,446
Less:		
Wage revision provision/ Pension /Gratuity	9,579	5,506
Additional Incentive provision	1,047	2,590
Provision on account of arbitration award	531	
Impact due to withdrawal of guidance note on IEDC	733	
Adjusted Expenditure related to Operations	**302,040**	**247,350**

2.2 Depreciation

As per the accounting policy of the Company, depreciation is charged on straight line method as per the rates given in the 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).

The depreciation charged to the profit and loss account during the year was Rs. 23,645 million as compared to Rs. 21,385 million in fiscal 2008, registering an increase of 11%. This is due to increase in gross block by Rs.89,850 million i.e. from Rs.533,680 million in the previous fiscal to Rs. 623,530 million in the current fiscal. The increase in gross block is largely on account of increase in commercial capacity by 2000 MW resulting in additional capitalization amounting to Rs. 68,987 million. Further, one 500 MW unit of Vindhyachal-III was declared commercial on July 15, 2007 with the result that while for previous year, depreciation was charged for 9 months, it has been charged for the entire fiscal 2009. The impact on depreciation for additional capitalization during the fiscal 2009 is Rs. 2,391 million which is partly offset due to reduced depreciation for older stations.

2.3 Provisions made (and written back)

During the fiscal 2009, the Company had made provisions amounting to Rs. 246 million in comparison to Rs.71 million provided for in fiscal 2008. The provisions were made mainly in respect of doubtful advances and claims, obsolescence /diminution in value of surplus stores and for other items. The increase in provision is mainly attributable to diminution in value of surplus items of inventory. During the fiscal 2009, the Company had also written back provisions made in earlier years amounting to Rs. 170 million in comparison to Rs. 64 million of provisions written back in fiscal 2008. During the fiscal 2009, write back is on account of receipt of Rs. 142 million in lieu of settlement of dues with M/s Gridco, Orissa in respect of taken over Talcher thermal power project.

2.4 Interest and Finance Charges

The interest and finance charges for the fiscal 2009 were Rs. 20,229 million in comparison to Rs. 17,981 million in fiscal 2008. The details of interest and finance charges are tabulated below:

Rs. Million

	Fiscal 2009	Fiscal 2008
Interest Charges:		
Interest on borrowings	21,532	17,679
Others	701	174
Total Interest charges	**22,233**	**17,853**
Finance Charges	7,902	8,198
Total	**30,135**	**26,051**
Less: Adjustments and transfers		
Exchange differences regarded as adjustment to interest costs	(2,688)	1,255
Transfer to Foreign Currency Fluctuation Asset	342	
Interest charges capitalised	12,171	6,286
Finance charges capitalised	81	529
Interest and finance charges capitalised	**12,252**	**6,815**
Net interest and finance charges	**20,229**	**17,981**

Interest amount on long term borrowings (including Interest during Construction) has increased by 22% over last fiscal due to increase in long term borrowings during the year by Rs. 73,914 million. However our average cost of borrowing has reduced to 7.16% in fiscal 2009 from 7.22 % in previous fiscal due to your company's ability to raise loans at competitive rates from domestic as well international sources. During fiscal 2009, the debt utilized by the Company had more proportion of foreign loans carrying lower rates of interest as compared to interest payable on domestic 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 2009, an unfavourable exchange rate variation treated as adjustment to interest costs amounting to Rs. 2,688 million increased the interest expenses while an amount of Rs. 1,255 million was reduced from interest expenses in fiscal 2008. The reason for adverse amount of exchange rate variation is appreciation in the currencies of all our foreign denominated loans against Indian rupee namely, US dollar by 28%, Japanese yen by 31% and Euro by 8%. The USD, Japanese yen and Euro denominated loans contributed to about 67%, 29% and 4% respectively in the loan basket at the end of fiscal 2009 as compared to 67% and 32% in previous fiscal. The component of Euro has increased due to Euro denominated drawdowns made from loan extended by NIB during the year.

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 decreased by 4% from Rs. 8,198 million in fiscal 2008 to Rs.7,902 million in fiscal 2009. The reduction is mainly due to decrease in rebate payable to customers as per the Rebate Scheme of the company from Rs.7,203 million in previous fiscal to Rs.6,700 million in current fiscal. In order to secure 100% realization of amounts billed, the Company had introduced a revised incentive scheme in 2008-09. 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 30 days. However, the Customer Reward of 0.75% of the outstanding Bond amount issued under One Time Settlement Scheme, which was paid during last fiscal, has been discontinued in the new Scheme.

For the fiscal 2009, an amount of Rs. 12,252 million relating to interest and finance charges of projects under construction was capitalized while the corresponding amount for the previous year was Rs. 6,815 million. However, if the impact of exchange difference is excluded, the interest and finance charge capitalized is Rs.11,441 million as against Rs.8,734 million last year registering an increase of 31%. This is due to deployment of debt in 15 projects where construction is in progress. During fiscal 2009, an amount of Rs.342 million has been transferred to Deferred Foreign Currency Fluctuation Asset on account of exchange differences recoverable from customers at a later date as per the accounting policy of the company.

The interest and finance charges for fiscal 2009 after these adjustments and without taking into account the exchange differences treated as adjustment to interest costs is Rs.17,814 million.

Rs. Million

	Fiscal 2009	Fiscal 2008
Total Interest charges less interest charges capitalised	12,750	10,312
Total Finance charges excluding finance charges capitalised & transferred to FC Fluctuation Asset	7,479	7,669
Net interest and finance charges	**20,229**	**17,981**
Less : Adjustment of exchange differences regarded as borrowing cost	1,877	1,123
Less: Interest cost on account of arbitration award	538	
Total Adjusted Interest and Finance charges	**17,814**	**16,858**

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 2009 a net amount of Rs. 1,083 million was charged as prior period expenditure whereas a net amount of Rs. 2,745 million was booked as prior period income to the profit and loss account in the previous year.

During fiscal 2009, there has been an impact on the profits of the Company due to change in accounting policies in respect of exchange differences. Based on the opinions of the Expert Advisory Committee (EAC) of the ICAI, foreign exchange gains amounting to Rs.7,536 million arising on foreign currency borrowings, which were hitherto charged to profit, have been reduced from the cost of asset to the extent the exchange loss has been earlier capitalized as per applicable Accounting Standards during construction period. Due to the above adjustment, depreciation of Rs.2,478 million pertaining to previous years has been written back through 'Prior Period Depreciation' (explained in note 13(a)I(i) of Note on Accounts, Schedule-26).

Similarly, as per the opinion of the EAC of the ICAI, foreign exchange (gain) of Rs. 99 million for the financial years 2004-05 to 2006-07 arising from restatement/ settlement of foreign currency monetary items in respect of transactions entered into on or after 1st April 2004, which were hitherto treated as IEDC at units under construction have been recognized in the P&L A/c through 'Prior Period Interest/Exchange differences'. Due to this adjustment, depreciation amounting to Rs. 2 million pertaining to previous years has been charged

to 'Prior Period Depreciation' (explained in note 13(a)I(ii) of Note on Accounts, Schedule-26).

Consequent to the above, the balance of Rs.2,554 million appearing in the 'Deferred Foreign Currency Fluctuation Liability' at the end of fiscal 2008 has been written back through 'Prior Period Adjustment'. In respect of operating stations, an amount of Rs.2,080 million recoverable from the beneficiaries in future years as per CERC Regulations corresponding to exchange differences recognised in the Profit & Loss A/c for the periods up to fiscal 2008 has been recognised as 'Deferred Foreign Currency Fluctuation Asset' through 'Prior Period Sales' . Due to accounting of such exchange differences, corresponding decrease in depreciation amounting to Rs.736 million has been credited to 'Deferred Expenditure from Foreign Currency Fluctuation' by debit to 'Prior Period Depreciation out of Deferred Expenses/Income from Foreign Currency Fluctuation' (explained in note 13(a)III of Notes on Accounts, Schedule-26).

In case of projects under construction, 'Deferred Foreign Currency Fluctuation Asset/Liability' has been created corresponding to exchange differences recognised in the statement of Profit & Loss A/c which are admissible for inclusion in capital cost for tariff determination as per CERC Regulations, relating to prior years amounting to Rs.250 million (explained in note 13(a) III of Notes on Accounts, Schedule-26).

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 2009	**Fiscal 2008**	**Fiscal 2009**	**Fiscal 2008**
Gross Income	452,558	400,113	438,264	388,527
Expenditure related to operations	313,930	255,446	302,040	247,350
Depreciation	23,645	21,385	23,645	21,385
Interest and Finance charges	20,229	17,981	17,814	16,858
Profit before tax, prov. & prior period adjust.	**94,754**	**105,301**	**94,765**	**102,934**

4 Provision for Tax

The Company provides for current tax, deferred tax and fringe benefit tax computed in accordance with provisions of Income Tax Act, 1961. As per tariff regulations, the Company recovers actual tax payments in respect of generation business from its customers while taxes on the income from all other activities are borne by the Company.

	Fiscal 2008		(Rs Million)	
	Current tax	**Deferred tax**	**FBT**	**Total**
Provision for fiscal 2008	24,637	1,411	214	26,262
Adjustment for earlier years	3,680	–	(45)	3,635
(Recoverable from) / payable to customers	–	(1,411)	–	(1,411)
Capitalised	(70)	–	(15)	(85)
Net prov. as per P&L Account	**28,247***	**–**	**154**	**28,401**

*Rs.22,761 million is recoverable from customers

	Fiscal 2008		(Rs Million)	
	Current tax	**Deferred tax**	**FBT***	**Total**
Provision for fiscal 2009	25,337	4,488	210	30,035
Adjustment for earlier years	(13,953)	–	–	(13,953)
(Recoverable from) / payable to customers	–	(4,488)	–	(4,488)
Capitalised	–	–	(12)	(12)
Net prov. as per P&L A/C	**11,384****	**–**	**198**	**11,582**

*FBT-Fringe Benefit Tax

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

Net provision of tax for the fiscal 2009 was Rs. 11,582 million in comparison to Rs. 28,401 million in the fiscal 2008, a decrease of Rs.16,819 million. This decrease is due to tax refund of Rs.13,953 million on account of the favourable decisions relating to previous years by CIT (Appeal) which has been accounted during fiscal 2009. Out of this an amount of Rs.2,400 million will be retained by your company and the balance amount of Rs.11,553 million is payable to customers. As a result, tax payment in respect of generation business recoverable from the customers has also reduced to Rs.7,583 million for the current fiscal as against Rs.22,761 million for the last fiscal.

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

Rs. Million

	Reported		Adjusted	
	Fiscal 2009	Fiscal 2008	Fiscal 2009	Fiscal 2008
Profit before tax, provisions and prior period adjustments	**94,754**	**105,301**	**94,765**	**102,934**
Tax as per P&L	(11,582)	(28,401)	(11,582)	(28,401)
IT refund/adjustment for previous years			(2,400)	607
Profit after tax (before prov. and prior period adjust.)	**83,172**	**76,900**	**80,783**	**75,140**

The increase in adjusted as well as reported profits before prior period adjustments and provisions over the last fiscal remains same at 8%.

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 2009	Fiscal 2008	Fiscal 2009	Fiscal 2008
Profit after tax (before provisions and prior period adjustments)	**83,172**	**76,900**	**80,783**	**75,140**
Provisions (net of write back)	(76)	(7)	(76)	(7)
Interest on income tax refund pertaining to previous years			747	
Prior period adjustments	(1,083)	(2,745)		
Net profit after tax	**82,013**	**74,148**	**81,454**	**75,133**

On a reported basis, the net profit after tax for the fiscal 2008 has increased by about 10.60% while on an adjusted basis, the net profit after tax has grown by 8.41%.

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 for the generation business for the fiscal 2009 was Rs. 90,531 million as against Rs. 90,808 million for fiscal 2008.Excluding income tax recoverable from customers amounting to Rs. 7,583 million for fiscal 2009 and Rs. 22,761 million for fiscal 2008, the above has increased by 22% mainly on account of increased generation. For the 'Other Business' it was Rs. 418 million for fiscal 2009 and Rs. 288 million for the previous fiscal.

B Financial Condition

1 Net worth

The net worth of the Company at the end of fiscal 2009 increased to Rs.573,701 million from Rs.526,386 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. 63.84 to Rs.69.58.

2 Loan Funds

The loans as on March 31, 2009 were Rs.345,678 million in comparison to Rs.271,906 million as on March 31, 2008. A summary of the loans outstanding is given below:

Rs.Million

	As at March 31		
	2009	2008	% change
Secured Loans			
Bonds	82,500	66,000	25%
Foreign Currency terms loans	7,180	7,140	1%
Other	16	7	129%
Sub-total	**89,696**	**73,147**	**23%**
Unsecured Loans			
Fixed Deposits	14	130	-89%
Foreign Currency Bonds / Notes	25,775	20,095	28%
Foreign Currency loans	78,281	51,639	52%
Rupee term loans	151,911	126,859	20%
Loans from GOI	1	36	-97%
Sub-total	**255,982**	**198,759**	**29%**
Total	**345,678**	**271,906**	**27%**

GOI-Government of India

Over the last fiscal, the debt has registered a growth of 27%. Debt funds of Rs.96,428 million were utilized to finance capital expenditure of projects under construction. This amount consisted of Rs.60,500 million raised and utilized from domestic markets and disbursements amounting to Rs.35,928 million received by way of foreign loans. The domestic debt funds included term loans amounting Rs.41,500 million raised and the bonds aggregating to Rs.19,000 million (including bonds of Rs.5,500 million for refinancing loans) privately placed during the year.

During the year, fresh agreements for term loans aggregating Rs. 115,750 million were entered as under:

Rs. Million

Dena Bank	2,000
Andhra Bank	1,500
PFC	100,000
LIC Term Loan	10,000
United Bank III	2,250

The loan Agreement of Rs.100,000 million with Power Finance Corporation was entered on June 30, 2008 to finance the expenditure on the on-going capacity addition programme including Renovation and Modernization and Coal Mining and Coal Washeries. The tenure of the loan is 16 years with a moratorium of 4 years. The repayments are to take place in 48 quarterly installments after moratorium.

Your Company has redeemed bonds amounting to Rs.2,500 million during the year. Repayments amounting to Rs.16,484 million were made under various term loans extended by Indian Banks and Govt. of India. Repayment of Rs.3,566 million was made during the year towards foreign currency loans. Fixed Deposits for Rs.121 million were also discharged during the year.

The credit rating of the Company 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 to 'negative' by Standard and Poors' following similar action on the outlook on rating of India. The Company's foreign currency ratings are at par with sovereign ratings of India.

The debt to equity ratio at the end of fiscal 2008-09 of the Company went up to 0.60 from 0.52 at the end the previous fiscal.

The Debt Service Coverage Ratio (DSCR) for the year is 3.67 and Interest Service Coverage Ratio for the year is 10.19. Formula used for computation of coverage ratios DSCR = Earning before Interest, Depreciation and Tax/ (Interest net off transferred to expenditure during construction + Principal repayment) and ISCR = Earning 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	Foreign Loans	Total Currency loans
Within 1 year	23,312	4,192	27,504
1 - 3 years	47,802	28,082	75,884
3 - 5 years	50,210	18,867	69,077
5 - 10 years	100,565	39,153	139,718
Beyond 10 years	12,553	20,942	33,495
Total	**234,442**	**111,236**	**345,678**

3 Fixed Assets

During the year your Company added Rs.89,850 million to the gross block mainly on account of capitalization of two units of Sipat-II (500MWx2) Power Project and two units of Kahalgaon-II (500MWx2) Power Project. Due to increase in construction activities, there was an addition of Rs.27,822 million in the capital-work-in-progress registering an increase of 15% over the last year.

In addition, there was also an increase of 28% in Construction Stores and Advances.

Rs.Million

	As at March 31		
	2009	2008	% change
Gross block	623,530	533,680	17%
Net Block	329,377	260,937	26%
Capital Work-in-Progress	212,211	184,389	15%
Construction stores and advances	51,838	40,394	28%
Total fixed assets	**593,426**	**485,720**	**22%**

Further, in line with Gazette Notification no 193 dated 31st March 2009, issued by Ministry of Company Affairs, Govt of India, para 46 has been inserted in Accounting Standard (AS) 11 relating to "The effects of changes in Foreign Exchange Rates" in the Companies (Accounting Standards) Rules, 2006 which provides that exchange differences arising on reporting of long term foreign currency monetary items, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset. Accordingly, exchange differences arising for the fiscal 2008 and 2009 amounting to Rs.152 million have been adjusted in the cost of related assets and of this Rs.2 million, being the exchange differences arising during fiscal 2008 have been credited to the General Reserve as per the transitional provisions provided in the aforesaid Notification. (explained in note 13(a)II of Note on Accounts, Schedule-26).

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. The bonds issued against settlement of receivables account for 82% of total investments at the end of fiscal 2009.

Broadly the break-up of investments is as follows:

Rs.Million

	As at March 31	
	2009	**2008**
Bonds issued under One time settlement scheme	114,732	131,247
Investments in Joint Ventures	18,849	15,547
Investment in subsidiaries	4,146	3,355
Investment of surplus cash in various instruments	1,865	1,875
Others		
Bonds against dues (issued prior to one time settlement scheme)	243	648
Total investments	**139,835**	**152,672**

During the fiscal 2009 investments reduced by about 8% mainly on account of redemption of bonds issued under One Time Settlement Scheme (OTSS) amounting to Rs.16,515 million. 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 2008-09.

Your company partly redeemed 10% Secured Non-Cumulative Non-Convertible Redeemable GRIDCO Bonds as per redemption plan, during the fiscal 2009.

Your company invested Rs.1,929 million in Ratnagiri Gas & Power Pvt. Ltd. and Rs. 850 million in NTPC SAIL Power Company Pvt. Ltd. Besides, the company also invested Rs. 464 million in Bhartiya Rail Bijlee Company Ltd a subsidiary with 74% equity stake promoted along with Ministry of Railways, Rs. 304 million in NTPC Hydro Ltd., a wholly owned subsidiary of your company and Rs. 302 million in Meja Urja Nigam Pvt. Ltd., a joint venture of your Company.

During the year, your company has not made any non-trade investments.

5 Current Assets

The current assets and current liabilities as on March 31, 2009 and March 31, 2008 and the changes therein are as follows:

Rs.Million

	As at March 31			
	2009	**2008**	**Y-o-Y change**	**% change**
Current Assets	Amt	Amt	Amt	
Inventories	32,434	26,757	5,677	21%
Sundry Debtors	35,842	29,827	6,015	20%
Cash and Bank balances	162,716	149,332	13,384	9%
Other Current Assets	9,792	9,218	574	6%
Loans and Advances	68,469	40,354	28,115	70%
Total Current Assets	**309,253**	**255,488**	**53,765**	**21%**

A major portion of current assets comprised of Cash and Bank balances. As on March 31, 2009, the cash and bank balances stood at Rs.162,716 million being 53% of the total current assets in comparison to Rs.149,332 million as at March 31, 2008 which was 58% of the total current assets as on that date. Of this, Rs.159,998 million was kept as term deposits with banks as on March 31, 2009 while the term deposits for the last year was Rs. 144,536 million.

The next largest component of current assets is Loans and Advances. Besides advance tax and tax deducted at source (net of provisions) amounting to Rs.34,963

million, this includes a loan of Rs.7,179 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.3,142 million paid pending pay revision (explained in note 5 of Notes on Accounts, Schedule-26).

Inventories as at March 31, 2009 were Rs.32,434 million being 10% of current assets as against Rs.26,757 million as on March 31, 2008. Our inventories mainly comprise of components and spares and coal which we maintain for operating our plants. Components and spares were Rs.17,429 million as against Rs.15,609 million in the last year. Coal inventory amounted to Rs. 11,133 million as against Rs.6,694 million in the previous year.

Sundry Debtors net of provisions have increased from Rs 29,827 million in previous fiscal to Rs. 35,842 million showing an increase of 20% corresponding to increase in sale of energy after adjusting for income tax recoverable from customers. As on 31.03.2009, Sundry Debtors amounted to Rs 44,203 million as compared to Rs.38,189 million as on 31.03.2008. As a percentage of sales the sundry debtors have remained at around 10%, at the same level as at the end of the last fiscal. The Sundry debtors were equivalent to 38 days of sales for current as well as last fiscal year.

6 Current Liabilities

Rs.Million

	As at March31			
	2009	**2008**	**Y-o-Y change**	**% change**
	Amt	Amt	Amt	
Liabilities	74,391	55,483	18,908	34%
Provisions	32,495	23,816	8,679	36%
Total Current Liabilities	**106,886**	**79,299**	**27,587**	**35%**

The current liabilities as at March 31, 2009 were Rs. 74,391 million as against Rs. 55,483 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. 64,469 million as against Rs.48,263 million in the previous year. Besides these, we also owed a sum of Rs. 4,520 million to our customers as against Rs. 2,958 million in the previous year. These sums include amount payable to the customers on account of income tax refunds.

Current Liabilities for the year also include Rs. 4,691 million being gratuity liability of the company as on 31.03.2009 as compared to Rs. 513 million as on 31.03.2008. This is higher in comparison to previous year due to revision of gratuity ceiling from 0.35 million to Rs 1 million during the year.

7 Provisions

As on March 31, 2009, your Company had provisions outstanding amounting to Rs. 32,495 million as against Rs. 23,816 million on 31st March 2008. This mainly comprised Rs.21,927 million (previous year Rs. 15,293 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 increase is mainly due to Rs.5,342 million provision for employee benefits pending pay revision and Rs.3,199 million due to increase in estimated benefits payable to employees as per actuarial valuation. An amount of Rs. 1,907 million was paid during the year (explained in note 5 and 16 of Notes on Accounts, Schedule-26).

The provisions for the current year also includes an amount of Rs. 2,842 million made towards expenditure on resettlement & rehabilitation activities including the amount payable to the project affected persons (PAPs) in respect of land in possession of the company. The same has also been included in the cost of land. The provision has been made based on the opinions of the Expert Advisory Committee (EAC) of the ICAI received during the year (explained in note 9 of Notes on Accounts, Schedule-26).

Further, provisions include Rs 6,596 million on account of proposed dividend which we would be paying to our shareholders after they approve the same in the shareholders' meeting. The income tax payable on the proposed dividend is Rs.1,103 million included in the Provisions of fiscal 2009.

8 Cash flows

The 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				
	2009	**2008**	**2007**	**2006**	**2005**
Opening Cash and cash equivalents	149,332	133,146	84,714	60,783	66,351
Net cash from operating activities	96,881	97,860	80,653	59,720	50,998

Net cash used in investing activities	-75,004	-58,187	-31,458	-26,992	-64,136
Net cash flow from financing activities	-8,493	-23,487	-763	-8,797	7,570
Change in Cash and cash equivalents	13,384	16,186	48,432	23,931	-5,568
Closing cash and cash equivalents	**162,716**	**149,332**	**133,146**	**84,714**	**60,783**

The net cash from operating activities for the year ended March 31, 2009 reduced by 1% from the previous year because of deployment of cash in working capital. The net cash from operating activities was Rs.96,881 million as against Rs.97,860 million for the previous year.

The net cash used in investing activities increased to Rs 75,004 million in fiscal 2009 from Rs. 58,187 million in the previous year registering an increase of 29%. 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. The cash utilized for purchase of fixed assets increased by 25% from Rs. 79,964 million in the previous year to Rs. 100,087 million during fiscal 2009. Net cash realized from sale of investments (after adjusting purchase of investments and the redemption of OTSS bonds) reduced by Rs.548 million during the year. No call option was exercised by SEBs on OTSS bonds during the fiscal 2009. The investment in Joint Venture companies and subsidiaries was Rs. 4,093 in current fiscal as against Rs.9,218 million during fiscal 2008. Cash generated from investing activities also reduced due to reduction in interest on OTSS bonds.

During the year, out of the cash raised from operating activities the company paid net Rs. 8,493 million of cash for servicing financing activities as against Rs.23,487 million in the previous year. During the fiscal 2009 the company had an inflow of Rs.73,600 million from long term borrowings as against Rs. 50,231 million in the previous year. The cash used for repayment of long term borrowings during the current fiscal was Rs.22,666 million as against Rs. 21,987 million repaid in the previous year. The cash used for paying dividend and the tax thereon was Rs.34,718 million as against Rs. 33,764 million in the previous year.

BUSINESS AND FINANCIAL REVIEW OF SUBSIDIARIES

NTPC has formed six subsidiary companies. The financial statements of the subsidiaries are included in this Annual Report elsewhere. Their performance is briefly discussed here:

(a) NTPC Electric Supply Company Limited (NESCL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity	0.8	0.8
Gross Income	785	419
Profit After Tax	185	127
		Rs Per Share
Earnings Per Share	2,284.54	1,565.34

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 involved in 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 30 districts and 5 states, namely, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa and West Bengal and a Union Territory of Lakshdweep covering approximately 38,500 villages. During the year 2008-09, the Company achieved electrification of 4,107 villages and provided electricity connection to 1,68,633 BPL households. So far the Company has achieved electrification of 4,709 villages. 22 more projects have been sanctioned under XI plan.
- The company has successfully completed the assignment of "Advisor-cum-Consultant" for Ministry of Power for implementation of schemes under the Accelerated Power Development and Reforms Program (APDRP).
- 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 has won a contract under competitive bidding for project management consultancy work for setting up 220 KV substations, switch yard and associated facilities at BPCL Kochi Refinery with the comprehensive scope of concept to commissioning.
- The Company has also been assigned implementation of works of power supply

arrangement for Port based Special Economic Zone at Vallarpadam for Cochin Port Trust (CPT).

NESCL has paid dividend of Rs.25 million for fiscal 2009 as against Rs 17.5 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 September 17, 2008, to take up retail distribution of power in various Industrial parks developed by KINFRA in Kerala and other SEZs and industrial areas. KINESCO has applied to the State Regulator for the transfer of the distribution license on March 27, 2009.Investment appraisal is under finalization by IDFC. The JV is expected to start operations from fiscal 2010.

(b) NTPC Vidyut Vyapar Nigam Limited (NVVN)

The financial highlights of the Company are as under:

Particulars	**Fiscal 2009**	**Fiscal 2008**
		Rs.Million
NTPC's investment in equity	200	200
Gross Income	19,799	7,961
Profit After Tax	495	190
		Rs. Per Share
Earnings per share	24.76	9.52

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 2008-09 the company transacted business with various state electricity boards spread all over the country and traded 4.831 billion units of electricity in comparison to 3.324 billion units traded in the previous year.

As a part of its new business initiative, the company has traded ash in the domestic market at a value of Rs 287.19 million as compared to Rs. 2.84 million in the previous year registering substantial growth. The Company also exported fly ash at a value of Rs.20.69 million and sold Cenosphere at a value of Rs.5.12 million during 2008-09 as compared to export of fly ash of Rs. 11.64 million and sale of Cenosphere of Rs. 6.76 million in the previous year.

NVVN has paid dividend of Rs. 100 million for fiscal 2009 (including interim dividend of Rs. 20 million) as against Rs 40 million paid in the previous year.

(c) NTPC Hydro Limited (NHL)

The financial highlights of the Company are as under:

Particulars	**Fiscal 2009**	**Fiscal 2008**
NTPC's investment in equity (incl. share capital deposit) (Rs. Million)	927	623
Loss (Rs.)	10,800	-

The company was formed on 12th December 2002 as a wholly owned subsidiary company of NTPC with an objective to develop small and medium hydro electric power projects up to 250 MW. 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 plant award is envisaged during the fiscal 2010. 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. The project is slated for commissioning during XII Plan. The approval from MoEF has been obtained. Land acquisition has been completed.
- Rammam-III (120 MW) is situated in the state of West Bengal. All the statutory clearances have been obtained and majority of land acquisition activities have been completed. The various infrastructure developmental works are under progress. The main plant package is currently under tendering process and award is envisaged during the fiscal 2010.The project is for the benefit of West Bengal and Sikkim states and is slated for commissioning during XII Plan.

(d) Pipavav Power Development Company Limited (PPDCL)

NTPC Ltd. disassociated from the Pipavav Power Project on May 24, 2007 after obtaining approval from the MoP. Based on the settlement between NTPC, GPCL and GEB, an amount of Rs.109 million was paid to NTPC towards final settlement in respect of cost of land during 2007-08. During the year, a sum of Rs.22 million has been paid by M/s GPCL to NTPC. Further, the Board of Directors of NTPC accorded approval to proceed with the winding up procedure of PPDCL subject to approval of Ministry of Power as required under guidelines issued by Deptt. of Public Enterprises. The Govt. of India had permitted NTPC Ltd. for winding up of PPDCL pending final settlement of claims with Gujarat Power Corporation Ltd./Govt. of Gujarat.

(e) 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 (2 x 110 MW). The Company was rechristened as 'Kanti Bijlee Utpadan Nigam Limited' on April 10, 2008. Upon the final determination of the value of the assets of the plant, NTPC will be allotted shares subject to the minimum of 51% and maximum of 74% of the total issued, subscribed and paid-up capital of the Company.

Both units of the transferred station were under renovation and modernisation since the date of transfer (and not in operation). From 29.01.08, unit no. 02 (1X110 MW) after restoration and refurbishment is on trial operation for attaining stability in operation. In financial year 2008-09, the second unit generated 226 MUs, highest generation by this unit since 1999-2000. Renovation and Modernization of first Unit is under progress. Further, pre-award activities for expansion stage consisting of two units of 195 MW each are under progress.

The financial highlights of the Company are given below:

Particulars	Fiscal 2009	Fiscal 2008
NTPC's investment in equity (incl share capital deposit) (Rs.Million)	595	572
Loss (Rs.)	27,866	53,350
Earnings per share (Rs.)	(0.28)	(0.53)

(f) 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 acquisition activities are in advance stage.

The financial highlights of the Company are given below:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity (incl. share capital deposit)	2,421	1,957
Loss	4	1
	Rs Per Share	
Earnings per share	(0.03)	(8.28)

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES

a) Utility Powertech Limited (UPL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity	10	10
Gross Income	2,383	2,199
Profit After Tax	8	125
		Rs Per Share
Earnings per share	2.03	31.18

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. The Company has proposed a dividend of Rs.6 million for fiscal 2009 with NTPC' share of Rs.3 million. During the fiscal 2009, Rs. 20 million of paid-up equity capital has been issued as fully paid bonus shares.

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

Bhilai Electric Supply Company Pvt. Ltd.(BESCL), a joint venture company with 50:50 equity participation by NTPC and SAIL, having generating capacity of 74 MW was merged with NTPC-SAIL Power Company Pvt. Ltd (NSPCL), another joint venture company, w.e.f August 2, 2006 in pursuance of the order of the Hon'ble High Court of Delhi dated August 2, 2006.

NSPCL owns and operates a capacity of 314 MW as captive power plants for SAIL's steel manufacturing facilities located at Durgapur, Rourkela and Bhilai. During 2008-09, one unit of 250 MW of Bhilai Expansion Project was commissioned during April 2008 and the second 250 MW unit was commissioned on 28.03.09. The total capacity of NSPCL as on 31.03.09 is 814 MW. Out of 500 MW commissioned during 2008-09, 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.

The above stations generated a total of 2.389 BUs during 2008-09 as compared to 2.576 BUs during the corresponding previous year. The captive power plants at NSPCL namely Durgapur, Rourkela and Bhilai maintained average PLF of 87% during 2008-09.

The financial highlights of this Company are as under:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity	4,752	3,902
Gross Income	2,697	2,522
Profit After Tax	355	322
		Rs Per Share
Earnings per share	0.42	0.41

NSPCL has recommended a final dividend of Rs.90 million of which NTPC's share is Rs.45 million.

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

The financial highlights of the Company are as under:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity	30	30
Gross Income	597	1,008
Profit After Tax	34	38
		Rs Per Share
Earnings per share	5.73	6.40

NASL is a joint venture company between NTPC and ASLTOM DEUTSCHLAND AG, Germany. The company was formed for taking up Renovation & Modernization assignments of power plants both in India and abroad. NASL has recommended a final dividend of Rs.12 million with NTPC's share of Rs.6 million, same as in the previous year.

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 set up a coal-based power station of 1000 MW capacity, at Vallur. The project is named as Vallur Thermal Power Project and is expected to use Ennore port infrastructure facilities. Financial closure for the project was achieved on signing of loan Agreement with M/s REC on 28.03.08 for Rs 37,964.8 million for Phase- I (2x500MW). The Feasibility Report for Phase - II (1x500 MW) expansion of the project was approved by NTECL Board on 24.11.07. Mega Power Status has been accorded to the project (3x500 MW) on 12.03.08.The construction work at site is in full progress.

The paid up capital of the Company is Rs. 3,800 million and out of this, 50% has been contributed by NTPC Ltd. Further as on 31.3.2009, the amount of Share Capital Deposit pending allotment is Rs. 320 million. Out of this, Rs. 160 million was contributed by NTPC Ltd. during 2008-09.

e) Ratnagiri Gas and Power Pvt. Limited

Ratnagiri Gas and Power Private Ltd has been formed as joint venture company between NTPC, GAIL, Maharashtra State Electricity Board and Indian Financial institutions with NTPC having a stake of 28.33% for taking over and operating gas based Dabhol Power Project and LNG Terminal. The total generation from Power Block II (740 MW) and Power Block III (740 MW) during 2008-09 is 5213 MUs which includes infirm power. The commercial generation is 3873 MUs.

The financial highlights of the Company are as under:

Particulars	Fiscal 2009	Fiscal 2008
		Rs.Million
NTPC's investment in equity (incl. share capital deposit)	6,929	5,000
Gross Income	12,612	10,840
Loss	6,551	153
		Rs Per Share
Earnings per share	(3.71)	(0.09)

f) Aravali Power Company Private Limited

Aravali Power Company Private Limited (A Joint Venture Company with Indraprastha Power Generation Co. Ltd. [IPGCL] of Delhi Govt. and Haryana Power Generation Corp. Ltd. [HPGCL] of Haryana Govt.), is setting up Indira Gandhi 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 would also operate and maintain the station on Management Contract basis for 25 or more years. The project is being set up for meeting the power requirement of Haryana and NCT of Delhi and the Commonwealth games to be held in Delhi in the year 2010. The power will be shared on 50:50 basis between Haryana and NCT of Delhi. Financial closure for the project was achieved on signing of loan Agreement with M/s PFC on 24.01.08 for Rs. 51,800 million.

Construction activities at the site are in full swing. Boiler drum for Unit-I and Unit-II have been lifted on 12.12.08 and 07.04.09 respectively. For the Unit-III, boiler erection has commenced on 19.03.09. Unit-I is expected to be ready during 2010-2011.

As on 31.3.2009, the paid up capital of the Company is Rs. 9,170 million with 50% being contributed by NTPC Ltd.

g) NTPC-SCCL Global Venture Pvt. Ltd

"NTPC-SCCL Global Venture Pvt. Ltd." was incorporated on July 31, 2007 as a JV Company of NTPC with Singareni Collieries Company Ltd. to jointly undertake the development and operation & maintenance of coal Blocks and integrated coal based power projects in India and abroad.

The paid up capital of the Company is Rs. 1 million and out of this, 50% has been contributed by NTPC Ltd.

h) Meja Urja Nigam Private Limited

Meja Urja Nigam Private Limited was formed as a 50:50 joint venture between NTPC and Uttar Pradesh Rajya Vidyut Utpadan Nigam 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 has been obtained and major site-specific survey and investigation studies have been completed. The project has been accorded Mega status. Private land of 606.773 hectares has been acquired. Further, efforts are being made to acquire Govt. land.

As on 31.3.2009, the paid up capital of the Company is Rs. 1 million and out of this, 50% has been contributed by NTPC Ltd. Further as on 31.3.2009, out of Share Capital Deposit pending allotment amounting to Rs 602 million, an amount of Rs. 301 million has been contributed towards equity by NTPC Ltd.

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

A JV Company with Bharat Heavy Electrical Ltd.(BHEL) under the name of "NTPC BHEL Power Projects Pvt. Ltd." was formed on April 28, 2008 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. Both NTPC and BHEL are in the process of allocating EPC projects to NBPPL on nomination basis so that NBPPL can develop sufficient experience and skills to compete in open market. NTPC has in principle approved assigning implementation of one unit of 500 MW of Singrauli STPS expansion on turnkey EPC contract basis. BHEL has issued LOI for BOP works of 726 MW CCPP at Palatana, Tripura and EPC works of 100 MW CCPP at Namrup, Assam to NBPPL.

The Authorised Share capital of the Company has been increased to Rs. 3,000 million from 50 million. The Boards of Directors of NTPC and BHEL have agreed to contribute Rs. 1,000 million each towards the equity of JV Company. The present contribution of both the partners is Rs. 50 million each towards the investment in equity of this JVC. As on 31.3.2009, out of Share Capital Deposit pending allotment amounting to Rs 99 million, 50% has been contributed by NTPC Ltd. during 2008-09.

j) BF-NTPC Energy Systems Limited

NTPC Ltd. has formed a JV Company, "BF-NTPC Energy Systems Limited" , with Bharat Forge Limited on June 19, 2008 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. NTPC shall hold 49% and Bharat Forge Limited shall hold 51% of the equity share capital of this Company. The Company is in the process of developing its comprehensive business model.

As on 31.3.2009, the paid up capital of the Company is Rs. 1 million with 49% being contributed by NTPC Ltd. during 2008-09.

k) Nabinagar Power Generating Company Private Limited

NTPC formed a JV Company with Bihar State Electricity Board under the name "Nabinagar Power Generating Company Private Limited" on September 9, 2008, with equal equity contribution 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 1980 MW (3X660 MW). The Company will also undertake their operation & maintenance of the project after its commissioning. Land for the project has been identified and Feasibility Report is under finalization.

As on 31.3.2009, the paid up capital of the Company is Rs. 1 million with 50% being contributed by NTPC Ltd. during 2008-09.

l) National Power Exchange Limited- NPEX

A JV Company has been incorporated on December 11, 2008 with NHPC Ltd., Power Finance Corporation Ltd. and Tata Consultancy Services Ltd. under the name "National Power Exchange Limited" 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. will contribute 16.67% equity each, Power Finance Corporation Ltd. will contribute 16.66% of equity while Tata Consultancy Services shall contribute 50% equity in the share capital of this Company. The in-principle approval by CERC for setting up the power exchange was received on July 1, 2009.

As on 31.3.2009, the paid up capital of the Company is Rs.50 million with Rs.8.3 million (16.67%) contributed by NTPC Ltd. during 2008-09.

m) International Coal Ventures Private Limited (ICVL)

International Coal Ventures Private Limited has been incorporated on May 20, 2009 as a Joint Venture Company of NTPC Limited, Steel Authority of India Ltd.(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.

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

NTPC has formed a JV Company, "National High Power Test Laboratory Private Limited" on May 22, 2009 in association with NHPC Limited (NHPC), Power Grid Corporation of India Limited (Power Grid) and Damodar Valley Corporation (DVC). NTPC, NHPC, Power Grid and DVC shall equally contribute in the equity share capital of the Company.

The Company has been incorporated to set up an On-line High Power Test Laboratory for short-circuit test facility in the Country.

o) PTC India Limited

The main objective of the company includes trading of power, import/export of power and purchase of power from identified private power projects and sells it to identified SEBs/others. NTPC holds 5.28% of PTC's paid-up capital. During the fiscal 2009, the applicability of the provisions of Accounting Standard (AS) 27-'Financial Reporting of Interests in Joint Ventures' to the investment made in PTC India Ltd was reviewed. Since, NTPC is of the view that provisions of this Standard are not applicable to investment in PTC India Ltd., the same has been excluded from the disclosures during the year.

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 2009	Fiscal 2008
Gross Income	476,472	416,370
Profit before Tax	93,073	103,510
Profit after Tax	80,925	74,699
Net Cash from operating activities	102,417	100,258

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 Board of Directors

Place: New Delhi — (R.S. Sharma)
Date: August 1, 2009 — Chairman & Managing Director