



## RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS

### AUDITORS' REPORT

The Board of Directors  
National Thermal Power Corporation Limited  
NTPC Bhawan  
Scope Complex  
New Delhi

- A. a) We have examined the annexed financial information of National Thermal Power Corporation Limited (the 'company') for the five financial years ended 31<sup>st</sup> March 2004 being the last date to which the accounts of the Company have been made up. The financial information is based on the accounts audited by us for the year 2003-04 and by other auditors viz. M/s K.K. Soni & Co., Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Lakshminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants, M/s B.C. Jain & Co., Chartered Accountants for the year 2002-03 and M/s K.K. Soni & Co., Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Lakshminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants, M/s B.C. Jain & Co., Chartered Accountants and M/s Kishore & Kishore, Chartered Accountants for the years 1999-2000 to 2001-02.

The preparation and presentation of this financial information is the responsibility of the company's management. These financial information is proposed to be included in the Offer Document of the company in connection with proposed initial public issue of its equity shares.

- b) We have performed such tests and procedures, which, in our opinion, were necessary for the examination. These procedures, which include comparison of the attached financial information with the company's audited financial statements.

Our audit of the financial statements for the period referred to in paragraph A(a) of this report comprises audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the years 1999-2000 to the year 2002-03 referred in para (a) did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions such as those enumerated above and accordingly, we express no opinion thereon.

- c) In accordance with the requirements of;
- Paragraph B(1) of Part II of Schedule II to the Companies Act, 1956.
  - The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of SEBI Act, 1992, "the SEBI Guidelines" and
  - Request dated 24<sup>th</sup> May 2004 received from the Company to carry out the work relating to the offer document being issued by the National Thermal Power Corporation Ltd., in connection with the initial public offer of equity shares of the company.

Subject to non-adjustment of changes in accounting policies regarding depreciation (refer note no. IV.B.1.2), we report that

- the restated profits of the Company for the above years are as set out below. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and notes thereon given below, and
  - the restated assets and liabilities of the company for the above periods are as set out below after making such adjustments and regroupings as in our opinion are appropriate and are subject to Accounting Policies and Notes thereon given below.
- d) In accordance with Para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of subsidiaries of the Company i.e Pipavav Power Development Company Ltd., NTPC Electric Supply Company Ltd., NTPC Vidyut Vyapar Nigam Ltd., and NTPC Hydro Ltd., for the year ended 31<sup>st</sup> March 2004.
- e) We further report that the dividends declared by the Company in respect of the five financial years ended 31<sup>st</sup> March 2004 are as set out below.
- f) The financial statements of the subsidiaries have not been consolidated into the attached summary statements of the Company and are enclosed as Annexure I to IV to this report. The 100% beneficial ownership of these subsidiaries vests with the Company as on 31<sup>st</sup> March 2004. Accordingly, the assets and liabilities and profit or loss as applicable, of such subsidiaries in the aforementioned financial statements to the extent of beneficial interest concern the members of the Company.



**I SUMMARY OF PROFIT & LOSS ACCOUNT, AS RESTATED**

(Rs. in million)

	For the year ended 31st March 2004	For the year ended 31st March 2003	For the year ended 31st March 2002	For the year ended 31st March 2001	For the year ended 31st March 2000
<b>Income:</b>					
Sales	188519	190288	177982	189648	160396
Energy Internally consumed	193	187	171	244	204
Provisions written back	9648	3988	107	3631	3525
Other Income	61282	4036	6725	9161	7084
<b>Total</b>	<b>259642</b>	<b>198499</b>	<b>184985</b>	<b>202685</b>	<b>171209</b>
<b>Expenditure:</b>					
Fuel	122150	110312	103991	99342	80051
Employees' remuneration and benefits	8835	8213	8036	7640	6212
Generation, Administration & other expenses	9813	10869	11640	10066	9545
Depreciation	20232	15291	13784	23223	20831
Provisions	5835	5555	1836	9959	7890
Interest and finance charges	33697	9916	8677	10918	9828
<b>Total</b>	<b>200562</b>	<b>160156</b>	<b>147964</b>	<b>161148</b>	<b>134357</b>
<b>Profit before Tax, Prior period adjustments and Extraordinary Items</b>	<b>59080</b>	<b>38343</b>	<b>37021</b>	<b>41537</b>	<b>36852</b>
Prior period income/ expenditure (net)	183	803	1	798	544
Extraordinary Item - Capital receipt	0	501	0	0	
<b>Profit before Tax</b>	<b>58897</b>	<b>37540</b>	<b>37521</b>	<b>40739</b>	<b>36308</b>
Provision for current tax	8682	11255	10299	13437	10175
Less: Income Tax Recoverable	2393	9791	8174	10037	8111
	6289	1464	2125	3400	2063
Provision for deferred tax	7901	3545	0	0	0
Less:Deferred Tax Recoverable	7901	3544	0	0	0
	0	1	0	0	0
Net Taxation	6289	1465	2125	3400	2063
<b>Profit after Tax as per audited statement of accounts (A)</b>	<b>52608</b>	<b>36075</b>	<b>35396</b>	<b>37338</b>	<b>34245</b>
Adjustment on account of					
Changes in accounting policies (refer note IV.B.1 (i) )	-21	16	5	0	11
Impact of material adjustments (refer note IV.B.1.(ii))	-12901	-4130	4572	-2993	2412
Prior period items (refer note IV.B.1.(iii))	183	681	-299	648	-431
<b>Total Adjustments (B)</b>	<b>-12739</b>	<b>-3433</b>	<b>4278</b>	<b>-2345</b>	<b>1992</b>
<b>Adjusted Profit (A+B)</b>	<b>39869</b>	<b>32642</b>	<b>39674</b>	<b>34993</b>	<b>36237</b>
Balance brought forward	681	1496	2808	117	1406
<b>Write back from Reserves:</b>					
Bonds Redemption Reserve	584	0	1250	1578	2500
Investment Allowance Reserve	0	0	0	7187	0
Balance available for appropriation	41134	34138	43732	43875	40143
Transfer to Bonds redemption reserve	2067	1815	373	175	400
Transfer to Foreign Project Reserve	0	0	0	0	
Transfer to Capital Reserve	30	100	506	5	34
Transfer to General Reserve *	26261	24067	34278	32655	31992
Interim dividend	0	4000	0	0	3000
Proposed dividend	10823	3080	7079	7470	3500
Tax on proposed dividend	1387	395	0	762	1100
<b>Balance carried to Balance Sheet</b>	<b>566</b>	<b>681</b>	<b>1496</b>	<b>2808</b>	<b>117</b>

\* The impact of adjustments on profit for the year have been adjusted in General Reserve  
The accompanying accounting policies and notes on accounts are an integral part of this statement.



## II. SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in million)

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
<b>Fixed Assets (A)</b>					
Gross Block	400364	366189	325027	319169	280825
Depreciation	187808	167728	152492	138662	115401
Net Block	212556	198461	172535	180507	165424
Capital Work-in-Progress	56413	51543	52038	27896	41549
Construction stores and advances	18540	12320	13512	10265	9003
<b>Investments (B)</b>	<b>173380</b>	<b>170266</b>	<b>167597</b>	<b>33639</b>	<b>9016</b>
<b>Current Assets, Loans &amp; Advances (C):</b>					
Inventories	17380	17712	20176	18356	20227
Sundry debtors	4699	8360	7102	94276	83896
Cash and bank balances	6091	5447	12048	3829	5602
Other Current Assets	80023	42273	9565	26955	32329
Loans and Advances	27275	30606	26546	36945	48726
Sub-total (C)	135468	104398	75437	180361	190780
<b>Less: Liabilities &amp; Provisions (D):</b>					
Secured loans	45844	41226	16455	19655	24278
Unsecured loans	108684	90931	99357	78393	76495
Deferred Tax Liability	1	1	0	0	0
Deferred revenue on account of					
Advance against Depreciation	1591	271	0	0	0
Development Surcharge Fund	3784	2492	1241	0	0
Current Liabilities and Provisions	80941	74277	61430	64599	71704
Sub-total (D)	240845	209198	178483	162647	172477
<b>NET WORTH (A+B+C-D)</b>	<b>355512</b>	<b>327790</b>	<b>302636</b>	<b>270021</b>	<b>243295</b>
<b>Represented by:</b>					
<b>Share Capital (E)</b>	78125	78125	78125	78125	78125
<b>Reserves and Surplus (Adjusted) (F)</b>	277387	249752	224583	191987	165229
<b>Miscellaneous Expenditure (to the extent not written off or adjusted) (G)</b>		87	72	91	59
<b>NET WORTH (E+F-G)</b>	<b>355512</b>	<b>327790</b>	<b>302636</b>	<b>270021</b>	<b>243295</b>

The accompanying accounting policies and notes on accounts are an integral part of this statement.



### III. DIVIDENDS

(Rs. in million)

Particulars	For the year ended March 2004	For the year ended March 2003	For the year ended March 2002	For the year ended March 2001	For the year ended March 2000
<b>Equity Share Capital</b>	78125	78125	78125	78125	78125
Face Value (Rs)	10	10	1000	1000	1000
Nos.	7812549400	7812549400	78125494	78125494	78125494
<b>Rate of Dividend (%)</b>					
Interim	-	5.12	-	-	3.84
Final	13.85	3.94	9.06	9.56	4.48
<b>Amount of Dividend</b>					
Interim	-	4000	-	-	3000
Final	10823	3080	7079	7470	3500
<b>Corporate Dividend Tax</b>					
Interim	-	-	-	-	-
Final	1387	395	-	762	1100

## **IV. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

### **A.1 ACCOUNTING POLICIES**

#### **1. GRANTS-IN-AID**

- 1.1 Grants-in-aid received from the Central Government or other authorities towards capital expenditure as well as consumers' contribution to capital works are treated initially as Capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of the grants.
- 1.2 Where the ownership of the assets acquired out of the grants vests with the government, the grants are adjusted in the carrying cost of such assets.
- 1.3 Development surcharge recoverable from customers towards capital expenditure for capacity additions is initially credited to Development Surcharge Fund and subsequently recognized as Capital Reserve to the extent utilized in new capacity addition as specified in Central Electricity Regulatory Commission tariff regulations .

#### **2. FIXED ASSETS**

- 2.1 Fixed Assets are shown at historical cost.
- 2.2 Intangible assets are recorded at their cost of acquisition.
- 2.3 Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work-in-Progress till the period of completion and thereafter in the Fixed Assets.
- 2.4 Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relating to land in possession are treated as cost of land.
- 2.5 In the case of commissioned assets, where final settlement of bills with contractors is yet to be effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.
- 2.6 Assets and systems common to more than one generating unit are capitalised on the basis of engineering estimates/assessments.

#### **3. CAPITAL WORK-IN-PROGRESS**

- 3.1 In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-Progress.
- 3.2 Incidental Expenditure during Construction (net) including corporate office expenses (allocated to the projects pro-rata to the annual capital expenditure) for the year, is apportioned to Capital Work-in-Progress on the basis of accretions thereto.
- 3.3 Deposit work/cost plus contracts are accounted for on the basis of statements of account received from the contractors.
- 3.4 Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.

#### **4. FOREIGN CURRENCY TRANSACTIONS**

##### **4.1 TRANSLATION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES**

- 4.1.1 Items of income and expenditure except depreciation are translated at average rate for the year. Depreciation is converted at the rates adopted for the corresponding fixed assets.
- 4.1.2 Current assets and liabilities are translated at the closing rates, and fixed assets are translated at the rates in force when the transaction took place.
- 4.1.3 All translation differences are recognised as income/expense during the year in which they arise.

##### **4.2 OTHER FOREIGN CURRENCY TRANSACTIONS**

- 4.2.1 Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
- 4.2.2 Foreign Currency loans/deposits/liabilities are reported with reference to the rates of exchange ruling at the year-end and the difference resulting from such translation as well as due to payment/discharge of liabilities in foreign currency related to Fixed Assets/Capital Work-in-Progress is adjusted in their carrying cost and that related to current assets is recognised as revenue/expenditure during the year.



## 5. BORROWING COSTS

Borrowing costs attributable to the fixed assets during their construction/renovation and modernisation are capitalised. Such borrowing costs are apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## 6. INVESTMENTS

Investments are intended for long term and are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

## 7. INVENTORIES

7.1 Inventories, other than scrap, are valued at cost, on weighted average basis.

7.2 Losses towards unserviceable and obsolete stores and spares identified on review of inventories are provided for in the accounts.

7.3 Steel scrap is valued at realisable value.

## 8. PROFIT AND LOSS ACCOUNT

### 8.1 INCOME RECOGNITION

8.1.1 Sale of energy is accounted for based on tariff rates approved by the Central Electricity Regulatory Commission. In case of power stations where the tariff rates are yet to be approved /agreed with beneficiaries, provisional rates are adopted.

8.1.2 The incentives/disincentives are accounted for based on the norms notified/approved by the Central Electricity Regulatory Commission or agreements with the beneficiaries. In cases of power stations where the same have not been notified/approved/agreed with beneficiaries, incentives/disincentives are accounted for on provisional basis.

8.1.3 Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in sales in subsequent years.

8.1.4 The surcharge on late payment/ overdue sundry debtors for sale of energy is not treated accrued due to uncertainty of its realisation and is, therefore, accounted for on receipt.

8.1.5 Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liquidated damages are not treated accrued due to uncertainty of realisation/acceptance and are therefore accounted for on receipt/acceptances.

8.1.6 Income from Consultancy service is accounted for on the basis of actual progress/technical assessment of work executed or costs incurred, in line with the terms of respective consultancy contracts.

8.1.7 Scrap other than steel scrap is accounted for in the accounts as and when sold.

8.1.8 Insurance claims for loss of profit are accounted for in the year of acceptance. Other insurance claims are accounted for based on certainty of realisation.

### 8.2 EXPENDITURE

8.2.1 Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the following assets in respect of which depreciation is charged at the rates mentioned below:

a) Kutcha Roads	47.50 %
b) Enabling works	
- residential buildings including their internal electrification	6.33 %
- non-residential buildings including their internal electrification, water supply, sewerage & drainage works, railway sidings aerodromes, helipads, and airstrips	19.00 %

8.2.2 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

8.2.3 Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.

8.2.4 Computer software recognized as intangible assets is amortised on straight line method over a period of 3 years.

8.2.5 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term

liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

- 8.2.6 Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant and machinery.
- 8.2.7 Capital expenditure referred to in Para 2.3 is amortised over a period of 4 years, from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use. However, such expenditure for community development in case of stations fully under operation is charged off to revenue.
- 8.2.8 Leasehold buildings are amortised over the lease period or 30 years whichever is lower. Leasehold land and buildings, whose lease period is yet to be finalised, are amortised over a period of 30 years.
- 8.2.9 Expenses on training, recruitment, research and development and ex-gratia payments under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.
- 8.2.10 Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.
- 8.2.11 Expenses common to operation and construction activities are allocated to Profit and Loss Account and Incidental Expenditure during Construction 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.
- 8.2.12 Net pre-commissioning income/expenditure is adjusted directly in the cost of related assets and systems.
- 8.2.13 Prepaid expenses and prior period expenses/income of items of Rs.100,000/- and below are charged to natural heads of accounts.
- 8.2.14 Carpet coal is charged off to coal consumption. However, during pre-commissioning period, carpet coal is retained in inventories and charged off to consumption in the first year of commercial operation. Windage and handling losses of coal as per norms are included in cost of coal.

## **9. RETIREMENT BENEFITS**

- 9.1 The liability for retirement benefits of employees in respect of Provident Fund and Gratuity, which is ascertained annually on actuarial valuation at the year end, are accrued and funded separately.
- 9.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

## **10. FINANCE LEASES**

- 10.1 Assets taken on lease are capitalized at fair value or net present value of the minimum lease payments whichever is lower.
- 10.2 Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per Accounting Policy 8.2.1. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter.
- 10.3 Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease.

## **A.2 CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31<sup>ST</sup> MARCH 2000 TO 31<sup>ST</sup> MARCH 2004**

- i. During the year ended 31<sup>st</sup> March 2000, in line with Accounting Standard (AS)-2 'Valuation of Inventories' and Accounting Standard (AS) -10 'Accounting for Fixed Assets', the Company has capitalized machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular and depreciated the same over the residual useful life of the related plant and machinery.



ii. Depreciation has been provided as under:

Year	Relevant Law	Reasons for change
Upto the year 2000-01	Under Section 75A of Electricity Supply Act, 1948 at rates notified by Government of India under section 43 A (2).	Omission of section 43 A (2) by notification of the Government of India u/s 51 of the Electricity Regulatory Commissions Act, 1998. Repeal of the Electricity (Supply) Act, 1948 by the Electricity Act, 2003.
2001-02 and 2002-03	Under Section 75A of Electricity Supply Act, 1948 at rates notified under CERC regulations.	
2003-04 onwards	As per the Companies Act, 1956.	

- a) Up to the year ended 31<sup>st</sup> March 2003, the Company has been providing depreciation on fixed assets from the year following that in which the asset became available for use and thereafter depreciation has been provided on pro-rata basis.
- b) During the year ended 31<sup>st</sup> March 2004, assets costing upto Rs.5,000/- are fully depreciated in the year of capitalization as against the earlier policy of fully depreciating plant and machinery costing Rs.5,000/- or less and such items with written down value of Rs.5,000/- or less at the beginning of the year.
- iii. From the year ended 31<sup>st</sup> March 2003, Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in sales in subsequent years.
- iv. Due to Accounting Standard (AS) - 26 'Intangible Assets' becoming mandatory w.e.f. 1st April 2003, the Company recognized the expenditure on software as 'Intangible Assets' to be amortised over a period of three years, as against earlier policy of charging such expenditure to revenue.

## B. NOTES ON ACCOUNTS

### 1.0 Adjustments/Regroupings

Impact of changes in Accounting policies, Extraordinary and prior period items:

(Rs. in million)

Particulars	Financial year ended 31 <sup>st</sup> March 2004	Financial year ended 31 <sup>st</sup> March 2003	Financial year ended 31 <sup>st</sup> March 2002	Financial year ended 31 <sup>st</sup> March 2001	Financial year ended 31 <sup>st</sup> March 2000
Profit after tax as per audited statement of accounts	52,608	36,075	35,396	37,338	34,245
Adjustment on account of:					
(i) Changes in Accounting Policies					
- Software and its amortization [note no.1.1.i]	-21	16	5	-	11
Total	-21	16	5	-	11
(ii) Material Adjustments					
Sale of energy [note no.1.1.ii]	13,963	-4,866	-3,405	-7,745	-3,463
Effect of Scheme for Settlement of SEB dues and return of bonds [note no.1.1.iii]	-26,532	2,666	8,750	1,921	2,645
Arrears of remuneration to employees [note no.1.1.iv]	9	202	94	1430	-440
Other income and expenditure items	-4,952	-3,035	-58	2,936	4,646
	<b>-17,512</b>	<b>-5,033</b>	<b>5,381</b>	<b>-1,458</b>	<b>3,388</b>
(iii) Tax impact of adjustments [note no.1.1.v]	4,611	903	-809	-1,535	-976
Total	-12,901	-4,130	4,572	-2,993	2,412
(iv) Prior Period items [note no.1.1.vi]	183	681	-299	648	-431
Total	183	681	-299	648	-431

### 1.1 Adjustments carried out

- i. The expenditure on software, charged off to revenue in earlier years, has been recognized as intangible asset and amortised over a period of three years.
- ii. The sale of energy has been accounted for based on tariff rates approved by the Central Electricity Regulatory Commission (CERC) and/or Government of India. CERC has issued orders in December 2000 with respect to the tariff norms, principles and Availability Based Tariff (ABT).

CERC have directed by notifications that the billing of sales in case of the power stations where the tariff has not been determined shall continue to be done on the same basis as on 31<sup>st</sup> March 2001, subject to adjustment on final determination of tariff by the CERC. In respect of some stations, CERC has issued provisional tariff orders for billing which are subject to adjustment on final determination of tariff.

Adjustments arising out of determination of tariff as aforesaid have been carried out in the respective years.

- iii. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.157,884 Million against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.10,603 Million were converted into interest bearing long term advance with effect from 1st October, 2001

Adjustment in respect of the aforesaid and rebate allowable under the Scheme have been carried out in the respective years.

- iv. Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective years.
- v. Impact of income tax on adjustments has been computed net of tax recoverable from beneficiaries.
- vi. The prior period items in the profit and loss account have been re-allocated to respective years.

The accounts for the years 1999-00 to 2003-04 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of these changes has been shown as separate line items. The effect of changes for the financial years prior to 1999-00 has been adjusted in the General Reserve as at 1<sup>st</sup> April 1999.

### 1.2 Adjustment not carried out

Since the Company has provided depreciation as per the statutory provisions applicable in the relevant years as stated above, no adjustment has been made for changes in the accounting policies regarding depreciation.

## 2.0 Contingent Liabilities

(Rs. in million)

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
Claims against the Company not acknowledged as debt in respect of :					
Capital works	5,455	5,163	3,968	8,109	7,004
Land compensation cases	10,314	9,924	5,593	4,957	1,693
Others	2,438	3,828	3,309	10,503	9,881
Disputed Sales Tax demand	314	318	263	290	370
Letters of Credit other than for capital expenditure	965	1,205	1,030	149	-
Guarantee in favour of bankers of Joint Venture	24	24	24	24	24
Others	22	45	40	99	2,478
<b>Total</b>	<b>19,532</b>	<b>20,507</b>	<b>14,227</b>	<b>24,131</b>	<b>21,450</b>



### 3.0 Estimated amount of contracts remaining to be executed on capital account and not provided for

(Rs. in million)

As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
87,465	61,836	60,092	44,122	42,632

### 4.0 The amounts of exchange differences (net) are as under

(Rs. in million)

Particulars	Financial year ended 31 <sup>st</sup> March 2004	Financial year ended 31 <sup>st</sup> March 2003	Financial year ended 31 <sup>st</sup> March 2002	Financial year ended 31 <sup>st</sup> March 2001	Financial year ended 31 <sup>st</sup> March 2000
Recognised in the profit and loss account	25 (debit)	36 (debit)	4 (debit)	10 (credit)	5 (credit)
Adjusted to the carrying cost of fixed assets/construction work in progress	1,411 (debit)	4,550 (debit)	264 (debit)	1,167 (credit)	3,742 (debit)

### 5.0 Other significant notes on account as on 31<sup>st</sup> March 2004

- The conveyancing of the title to **10,310** acres of freehold land of value **Rs. 4,145 million** (Previous Year 9446 acres, value Rs.2914 Million) and execution of lease agreements for 6,984 acres of value **Rs. 696 million** (Previous Year 6,375 acres, value Rs. 771 Million) in favour of the Company are awaiting completion of legal formalities.
- Land shown in the books does not include cost of **1,327 acres** (Previous year 1,372 acres) of land in possession of the Company. This will be accounted for on settlement of the price thereof by the State Government Authorities.
- Land includes amount of **Rs. 2,334 million** (Previous year Rs. 374 Million) deposited with various authorities in respect of land in possession which is subject to adjustment on final determination of price.
- Balances shown under debtors, advances, creditors and material lying with contractors/ fabricators and material issued on loan in so far as these have not been since realised/ discharged or adjusted are subject to confirmation/reconciliation and consequential adjustment, if any.
- In accordance with the Uttar Pradesh Electricity Reforms (Transfer of Tanda Generation Undertaking) Scheme 2000, the assets of Tanda Power Station (440 MW) of UP State Electricity Board (UPSEB) acquired for a total consideration of Rs.6,070 Million, were handed over to the company free from all encumbrances. However, the charge created by UPSEB in favour of Life Insurance Corporation of India before the assets were taken over is still to be vacated.

### 6.0 Interests in Joint Ventures

Name of the Company	Proportion of ownership interest as on 31 <sup>st</sup> March 2004
Utility Powertech Limited	50%
NTPC-Alstom Power Services Private Limited	50%
Power Trading Corporation of India Limited	8%
NTPC-SAIL Power Company Private Limited	50%
Bhilai Electric Supply Company Private Limited	50%
NTPC Tamil Nadu Energy Company Limited	50%

B. We have examined the following financial information relating to the company proposed to be included in the Offer Document, as annexed to this report.

- Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure-A.



- ii. Capitalisation Statement, as at 31<sup>st</sup> March 2004 of the company enclosed as Annexure-B.
- iii. Statement of Tax Shelters enclosed as Annexure-C.
- iv. Statement of Other Income enclosed as Annexure-D.
- v. Statement of Sundry Debtors as at 31<sup>st</sup> March 2004 enclosed as Annexure-E.
- vi. Statement of value of quoted investments as at 31<sup>st</sup> March 2004 enclosed as Annexure-F.
- vii. Statement of Loans and Advances as at 31<sup>st</sup> March 2004 enclosed as Annexure-G.
- viii. Statement of Tax Benefits enclosed as Annexure H.
- ix. Statement of Secured and Unsecured Loans as at 31<sup>st</sup> March 2004 enclosed as Annexure-I.
- x. Statement of Related Party Transactions for the year ended 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2003 and 31<sup>st</sup> March 2002 enclosed as Annexure-J.
- xi. Cash Flow Statements for the year ended 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2003 and 31<sup>st</sup> March 2002 enclosed as Annexure-K.
- C i) In our opinion, the financial information of the Company as stated in Part A and Part B above, read with respective significant accounting policies after making groupings and adjustments as were considered appropriate by us and subject to non-adjustment of depreciation as stated in note no.IV B.1.2 to accounts, have been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and SEBI Guidelines.
- ii) In our view, the Financial information as given in Part B above is true and correct and is in accordance with the relevant requirement of guidelines issued by SEBI.
- iii) The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force. The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.
- iv) This report is intended solely for your information and for inclusion in the Offer Document in connection with the Initial public issue of equity shares by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Kalani & Co.,**  
Chartered Accountants

For **Amit Ray & Co.,**  
Chartered Accountants

For **Umamaheswara Rao & Co.,**  
Chartered Accountants

**(K.L. Jhanwar)**  
Partner  
M. No. 14080

**(Pradeep Mukherjee)**  
Partner  
M. No. 70693

**(L. Shyama Prasad )**  
Partner  
M. No. 28224

For **S.N.Nanda & Co.,**  
Chartered Accountants

For **T.R. Chadha & Co.**  
Chartered Accountants

**(S.N. Nanda)**  
Partner  
M. No. 5909

**(Sanjay Gupta )**  
Partner  
M. No. 87563

Place :New Delhi  
Dated 18<sup>th</sup> June 2004



Annexure - A

Summary of Accounting Ratios

Key Ratios	Financial year ended March 2004	Financial year ended March 2003	Financial year ended March 2002	Financial year ended March 2001	Financial year ended March 2000
Earning Per Share (Rs.)	5.10	4.18	5.08	4.48	4.64
Net Assets Value per share (Rs.)	45.51	41.96	38.74	34.56	31.14
Return on Net Worth (%)	11.21	9.96	13.11	12.96	14.89
Number of equity Share Outstanding at the end of the year (*)	7812549400	7812549400	7812549400	7812549400	7812549400

(\* ) Face value of shares revised from Rs.1000/- to Rs.10/- in 2002-03

Formula:

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after tax}}{\text{No.of Equity Shares outstanding at the end of the year}}$$

$$\text{Net Assets Value per share (Rs.)} = \frac{\text{Net worth excluding revaluation reserve}}{\text{No.of Equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth \%} = \frac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve}}$$

Annexure - B

Capitalisation Statement

(Rs. in million)

Sl.No.	Particulars	Pre- Issue as at 31-3-04
A.	Debt:	
	a) Short- term Debt	12310
	b) Long - term Debt	142218
	Total Debt:	154528
B.		
	a) Equity Share Capital	78125
	b) Reserves & Surplus	277387
	Total Equity (Net Worth):	355512
C.	Long-term Debt/ Equity:	0.4



Statement of Tax Shelter

Annexure – C

(Rs. in million)

RATE OF TAX Particulars	35.88% 2003-04	36.75% 2002-03	35.70% 2001-02	39.55% 2000-01	38.50% 1999-2000	35.00% 1998-1999
A PROFIT BEFORE TAX BUT AFTER EXTRAORDINARY ITEMS	58897	37540	37521	40738	36309	29161
a Gross Generation Profit	0	34685	30980	32133	29602	26573
b Gross Non Generation Profit	58897	2855	6540	8605	6707	2588
Total Profit Before Tax (a+b)	58897	37540	37521	40738	36309	29161
c Tax on Generation Income	0	20153	17201	21023	18531	14308
d Tax on Non Generation Profit	21129	1049	2335	3403	2582	906
TOTAL TAX ON BOOK PROFIT (c+d)	21129	21202	19536	24427	21113	15214
ADJUSTMENTS						
B PERMANENT DIFFERENCES (B)						
Dividend exempt U/S 10(33)/10(34)/80M	95	36	57	0	1	
Donations	0	-1	0	-1	0	-1
Wealth Tax	7	-3	-1	-1	-2	
Tax Holiday claim u/s 80IA/80I/80HH	1216	16434	14790	23897	24999	11201
Interest on 8.5% Tax Free Power Bonds	34854					
Others	0	501	1	195	33	
Net Prior Period adjustments	12221	1255	-2374	4237	-1964	-261
TOTAL PERMANENT DIFFERENCES (B)	48392	17722	12972	28133	23230	10972
C TIMING DIFFERENCES						
Diff. Between book depreciation and Tax depreciation	8387	9762	8857	4883	-12964	-2973
Profit on sale of assets	47	147	8	19	3	18
Loss on sale of assets	-111	-77	-35	-46	-41	-5
Expenditure on assets not owned by the company	8	477	80	38	50	74
IDC/IEDC	0	4228	2928	2463	2609	1912
Net Provisions disallowed	2674	-1715	-1848	-6308	-4372	-3475
Tax, duty & other sums U/s 43B	-500	-497	-428	-4	-6	0
Expenditure on VRS u/s 35DDA	-43	0	0	0	0	
TOTAL TIMING DIFFERENCES (C)	10505	12280	9562	1045	-14720	-4449
D NET ADJUSTMENT (B+C)	58897	30002	22534	29178	8510	6523
E TAX SAVINGS THEREON:						
Generation Income ( to be pass through to beneficiaries)	0	16222	12233	18435	5327	3512
Non Generation Income	19581	766	179	396	0	1
TOTAL TAX SAVING	19581	16987	12412	18831	5327	3512
F TAXABLE INCOME AS PER IT RETURN	0	7538	14987	11560	27799	22638
Generation	0	6766	8947	3955	21092	20051
Non Generation	0	772	6040	7605	6707	2586
TOTAL TAXABLE INCOME	0	7538	14987	11560	27799	22638
G TAX AS PER INCOME TAX RETURN						
Generation Income	0	3931	4968	2588	13204	10797
Non Generation Income	0	284	2156	3008	2582	905
Tax U/S 115 JB @ 7.6875%	1548	0	0	0	0	0
TOTAL TAX AS PER RETURN	1548	4215	7124	5596	15786	11702
H Carry forward of Long Term Capital Loss	0	0	14	31	31	31

Note : In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries.



**Details of Other Income**

**Annexure - D**

(Rs. in million)

Particulars	For the year ended 31st March 2004	For the year ended 31st March 2003	For the year ended 31st March 2002	For the year ended 31st March 2001	For the year ended 31st March 2000	Nature of Income
Dividend from Investments	95	36	57	0	1	Recurring
Interest Income on:						
(a) Govt. Securities (8.5% Tax Free Bonds)	13950	13949	6955			Recurring
(b) Interest from Bonds	1002	1822	2800	2382	632	Recurring
(c) Loan to State Govt. in settlement of dues from customers	901	901	451			Recurring
(d) Public Deposits with Govt. of India	2751	1087	601			Recurring
(e) Deposits with Banks /Financial Institutions	61	159	28	34	4	Recurring
(f) Loans and Advances to Employees	296	284	262	186	196	Recurring
(g) Interest on Income Tax Refunds	12	27	279			Recurring
(h) Others	3	157	18	1683	3120	Recurring
Surcharge on late payment from customers	1900	5	3494	6319	5438	Non-Recurring
Miscellaneous Income	1057	997	530	479	338	Recurring
<b>TOTAL</b>	<b>22028</b>	<b>19424</b>	<b>15475</b>	<b>11083</b>	<b>9729</b>	

**Sundry Debtors as on March 31, 2004**

**Annexure – E**

(Rs. in million)

A	Debts outstanding over six months:	
	Unsecured- Considered good	3644
	Considered Doubtful	14287
		17931
B	Other debts	
	Unsecured- Considered good	1055
		18986
	Less: Provision for bad & doubtful debts	14287
	<b>Total</b>	<b>4699</b>



**Market Value of Quoted Investment**

Annexure –F

	Number of shares/ bonds	Face Value per share/ bond (Rs)	31.3.2004 (Rs. in Million)
Bonds (Quoted)			
5.00% Redeemable, Unsecured, Non-Convertible Tax- Free Bonds, 1.10.2008 National Bank for Agriculture and Rural development (NABARD) Bonds IV G (b)	18500	10000	192
	<u>18500</u>	<u>10000</u>	<u>192</u>

**Loans and Advances as at March 31, 2004 as Restated**

Annexure – G  
(Rs. in million)

A	Loans		
	Secured considered good	4916	
	Considered doubtful	1	
		4917	
	Less: Provision for bad and doubtful loans	1	
			4916
	Unsecured Considered good		13091
B	Advances to subsidiary Companies		
	Unsecured Considered good		94
C	Advances Recoverable in Cash or kind or Value to be received		
	Secured considered good		1
	Unsecured Considered good	4875	
	Considered doubtful	41	
		4916	
	Less: Provision for bad and doubtful advances and claims	41	
			4875
	Deposits With customs /Port trusts & others etc.		453
	Advance tax deposit & tax deducted at source (Net of provision for tax)		3845
	Total		27275

Note

- 1 Out of the total loans and Advances outstanding as at March 31,2004 Rs. 1 million is outstanding from whole time Directors.
- 2 Advances outstanding as at March 31,2004 from Subsidiary Companies are as below.

	<u>Rs. in million</u>
(i) Pipavav Power Development Company Limited.	60
(ii) NTPC Electric supply Company Limited.	18
(iii) NTPC Vidyut Vyapar Nigam Limited.	14
(iv) NTPC Hydro Limited.	2



Annexure - I

STATEMENT OF SECURED & UNSECURED LOANS

(Rs. in million)

PARTICULARS	As At March 31, 2004	As At March 31, 2003	As At March 31, 2002	As At March 31, 2001	As At March 31, 2000
<b>A SECURED LOANS</b>					
<b>BONDS :</b>					
9% (Tax free) Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 20th March 2002 (Eight Issue- Private Placement)				2500	2500
16.5% Regular Return Bonds of Rs.1,000/- each redeemable at par on 08th February 2001(Tenth issue)					1325
16.5% Triple Money Bonds of Rs. 1,000/- each redeemable at par on 08th February 2001(Tenth Issue)					535
15.5% Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 26th February 2001 (Eleventh Issue-Private Placement)					23
14% Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 24th March 2001 (Eleventh Issue-Private Placement)					1262
10.5% (Tax Free) Non-Cumulative Secured Bonds of Rs1,000/- each redeemed at par on 24th March, 2004 (Eleventh Issue - Private Placement) *1		1000	1000	1000	1000
10% Secured Non-Convertible Taxable Bonds of Rs10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th and 10th year respectively from 5th September, 2001 (Twelfth Issue - Private Placement) (shown as Unsecured in 2001-02) *2	5000	5000			
9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each redeemable at par in ten equal annual instalments commencing from the end of 6th year and upto the end of 15th year from 18th April, 2002 (Thirteenth Issue -Part A - Private Placement) *3	7500	7500			
9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each with ten equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th and 15th year respectively from 30th April, 2002 - (Thirteenth Issue - Part B - Private Placement) *3	7500	7500			
8.05% Secured Non-Cumulative Non-Convertible Redeemable Taxable bonds of Rs10,00,000/- each with two equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 4th and 5th year respectively from 1st August, 2002 (Fourteenth issue - Private Placement) *4	5000	5000			
13.6% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in three annual instalments of 30%,					

30% and 40% commencing from 28th September 2004 (Fifteenth Issue - Part C - Private Placement) <sup>*5</sup>	110				
8% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 10th April 2018 (Sixteenth Issue -Private Placement) <sup>*6</sup>	1000				
8.48% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 1st May, 2023 (Seventeenth Issue - Private Placement) <sup>*6</sup>	500				
5.95% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs 10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 6th, 7th, 8th, 9th and 10th year respectively from 15th September 2003 (Eighteenth Issue - Private Placement) <sup>*7</sup>	5000				
7.5% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs.10,00,000/- each redeemable at par on 12th January, 2019 (Nineteenth Issue - Private Placement) <sup>*8</sup>	500				
<b>Loans and Advance from Banks :</b>					
Foreign Currency Term Loans (Guaranteed by Government of India) <sup>*9</sup>	13730	15223	15455	15705	16256
Other Loans and Advances :					
Rupee Term Loan				450	1377
Assets taken on lease	4	3			
<b>TOTAL (A)</b>	<b>45844</b>	<b>41226</b>	<b>16455</b>	<b>19655</b>	<b>24278</b>

- 1 Secured by equitable mortgage / hypothecation of all the present and future fixed assets and movable assets of Korba Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers first charge on certain movable assets hypothecated to them for working capital requirement.
- 2 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage by deposit of title deeds of the immovable properties pertaining to Singrauli Super Thermal Power Station.
- 3 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station and National Capital Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.
- 4 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of National Capital Power Station, Feroze Gandhi Unchahar Thermal Power Station and Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.
- 5 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.(secured during the year, shown as unsecured loan in previous year)
- 6 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage by deposit of title deeds of the immovable properties pertaining to National Capital Power Station.
- 7 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage of the immovable properties pertaining to National Capital Power Station by extension of charge already created.
- 8 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.
- 9 Secured by English mortgage/hypothecation of all the present and future fixed and movable assets of Rihand Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.



Annexure - I

Statement of secured & unsecured loans

(Rs. in million)

PARTICULARS	As At March 31, 2004	As At March 31, 2003	As At March 31, 2002	As At March 31, 2001	As At March 31, 2000
<b>B UNSECURED LOANS</b>					
<b>Fixed Deposits</b>	5113	5067	2651	1683	3253
<b>Bonds</b>					
10% Non-convertible Taxable Bonds of Rs10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at the end of the 6th,7th,8th,9th,10th year respectively from 5th September, 2001.(Twelfth issue-Private Placement) (shown under secured loan on creation of security)			5000		
15% Secured Non-Cumulative Non-Convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in two equal instalments on 31st March 2005 and 31st March 2006 with put and call option on or after 31st March 2004 (Fifteenth Issue (Part B) – Private Placement ( Redeemed by exercising call option)		403			
13.6% Secured Non-Cumulative Non-Convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 28th September 2004 (Fifteenth Issue (Part C) - Private Placement) (shown under 'secured loans' on creation of security)		110			
5.5% Eurobonds due for repayment on 10th March 2011	8862				
<b>Other Loans and Advances</b>					
From Banks and Financial Institutions					
Foreign Currency Term Loans (Guaranteed by Government of India)	26675	24531	20173	11151	12416
Other Foreign Currency Term Loans	9375	16146	22531	24782	28452
Rupee Term Loans	57675	43232	27059	16037	6300
<b>From Others</b>					
Loan from Government of India	984	1442	21943	24739	26075
<b>TOTAL (B)</b>	<b>108684</b>	<b>90931</b>	<b>99357</b>	<b>78392</b>	<b>76496</b>



## RELATED PARTY TRANSACTIONS

Annexure - J

### STATEMENT OF RELATED PARTY TRANSACTIONS

As per Accounting Standard (AS-18) effective from 1.4.

#### A) List of joint ventures (Excluding State controlled Entities)

##### 1 2003-04

- (i) Utility Powertech Limited.
- (ii) NTPC-Alstom Power Services Private Ltd..
- (iii) Power Trading Corporation of India Ltd.

##### 2 2002-03

- (i) Utility Powertech Limited.
- (ii) NTPC-Alstom Power Services Private Ltd..

##### 3 2001-02

- (i) Utility Powertech Limited.
- (ii) NTPC-Alstom Power Services Private Ltd..

#### B) Key Management Personnel:

##### 2003-04

- |                              |                                |
|------------------------------|--------------------------------|
| (i) Shri C.P. Jain.          | Chairman and Managing Director |
| (ii) Shri B.N. Ojha          | Director(Operations) *         |
| (iii) Shri K.K. Sinha        | Director(Human Resources)      |
| (iv) Shri P. Narasimharamulu | Director(Finance)              |
| (v) Shri T. Sankaralingam    | Director(Projects)             |
| (vi) Shri S.L. Kapur         | Director(Technical) **         |
| (vii) Shri R.D. Gupta        | Director(Commercial)***        |
| (viii) Shri Chandan Roy      | Director(Operations)           |

\* Superannuated on December 31, 2003.

\*\* Superannuated on August 31, 2004.

\*\*\* Resigned on June 30, 2004.

##### 2002-03

- |                              |                                |
|------------------------------|--------------------------------|
| (i) Shri C.P. Jain.          | Chairman and Managing Director |
| (ii) Shri B.N. Ojha          | Director(Operations)           |
| (iii) Shri A.Palit           | Director(Technical)*           |
| (iv) Shri K.K. Sinha         | Director(Human Resources)      |
| (v) Shri H.L. Bajaj          | Director(Commercial)           |
| (vi) Shri P. Narasimharamulu | Director(Finance)              |
| (vii) Shri T. Sankaralingam  | Director(Projects)             |
| (viii) Shri S.L. Kapur       | Director(Technical)**          |

\* Superannuated on June 30, 2002.

\*\* Superannuated on August 31, 2004.



**2001-02**

- |                              |                                |
|------------------------------|--------------------------------|
| (i) Shri C.P. Jain.          | Chairman and Managing Director |
| (ii) Shri B.N. Ojha          | Director(Operations)           |
| (iii) Shri A.Palit           | Director(Technical)            |
| (iv) Shri K.K. Sinha         | Director(Human Resources)      |
| (v) Shri H.L. Bajaj          | Director(Commercial)           |
| (vi) Shri P. Narasimharamulu | Director(Finance)              |
| (vii) Shri T. Sankaralingam  | Director(Projects)             |

**C) Transactions with the related parties at (A) above are as follows:**

(Rs. in million)

Particulars	Transactions			Outstanding Amount		
	2003-04	2002-03	2001-02	2003-04	2002-03	2001-02
Contracts for Works/Services						
- Received by the Company	661	764	583	9*	67*	43*
				109**	122**	110**
- Provided by the Company	5	6	1	1*	1*	1*
						1**
Contribution towards equity	60	10	160	40	40	
Deputation of employees	2	4	6	1*	1*	2

\* Outstanding amount recoverable

\*\* Outstanding amount payable

**D) Remuneration to key management personnel**

(Rs. in million)

2003-04	8
2002-03	8
2001-02	5

**E) Amount of Dues Outstanding**

(Rs. in million)

2003-04	1
2002-03	*
2001-02	1

\* (Rs 467792/-)



Annexure - K

**Cash Flow Statement from the Restated Financial Statements  
for years ended 31st March 2002, 31st March 2003 And 31st March 2004**

(Rs. in million)

	31st March 2004	31st March 2003	31st March 2002
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before tax and Prior Period Adjustments	41547	33326	42407
<b>Adjustment for:</b>			
Depreciation	20246	15473	13877
Provisions	5835	5555	1836
Deferred revenue on account of Advance Against Depreciation	1320	271	-
Interest	10107	9003	8957
Interest on Bonds	(18769)	(15771)	(9755)
Prior Period Adjustments (Net)	-	(122)	(300)
Dividend Income	(95)	(36)	(57)
Development Surcharge Fund	1292	1251	1241
	19936	15624	15799
<b>Operating Profit before Working Capital Changes</b>	61483	48950	58206
<b>Adjustment for:</b>			
Trade and Other Receivables	(4153)	(6698)	(24133)
Inventories	222	2406	(1808)
Trade Payables and Other Liabilities	3650	14478	8380
Loans and Advances	(210)	(4904)	(2706)
Other Current Assets	(152)	(2234)	(1963)
Intangible Assets	-	(38)	(20)
	(643)	3010	(22250)
<b>Cash generated from operations</b>	60840	51960	35956
Direct Taxes Paid	(5115)	(14349)	(14426)
Income Tax Recoverable	2393	9791	8174
Net Cash from Operating Activities - A	58118	47402	29704
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Expenditure on Fixed Assets	(46654)	(32906)	(31366)
Purchase of Investments	(770)	-	(477)
Sale of Investment	-	-	110
Investment in Subsidiaries	(216)	(3)	-
Loans & Advances to Subsidiary	(36)	2	-
Interest on Bonds Received	22984	935	2522
Dividend on Investments Received	95	91	2
Extra Ordinary Item-Capital receipts	-	-	501
<b>Net cash used in Investing Activities - B</b>	(24597)	(31881)	(28708)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Long Term Borrowings	37949	45421	27197
Repayment of Long Term Borrowings	(15578)	(30439)	(9432)
Interest Paid	(10023)	(9174)	(8903)
Dividend	(3080)	(11079)	(7470)
Tax on Dividend	(395)	-	(762)
Net Cash flow from Financing Activities - C	8873	(5271)	630
<b>D. OTHERS</b>			
<b>Intangibles - D</b>	63	(15)	18
<b>Net Increase/Decrease in Cash and Cash equivalents (A+B+C+D)</b>	42457	10235	1644
<b>Cash and cash equivalents(Opening balance) *</b>	23894	13659	12015
<b>Cash and cash equivalents(Closing balance) *</b>	66351	23894	13659
	42457	10235	1644

NOTES : Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public Deposit Account and interest accrued thereon



**Pipavav Power Development Company Limited**

Financial Statements For Three Years Ended 31st March, 2004

*Summary of Profit and Loss Account, As Restated*

(in Rs.)

	<b>Financial Year ended March 31,2004</b>	<b>Financial Year ended March 31,2003</b>	<b>Financial Year ended March 31,2002</b>
Expenditure			
Secretarial Audit Fee	4,320	-	-
Audit Fees	10,800	-	-
Survey & Investigation Expenses Written Off	2,810,162	-	-
Preliminary & Pre-operative written off	797,916	-	-
Miscellaneous Expense	50	-	-
Net Loss as per Audited Accounts	3,625,748	-	-
Impact of material adjustments			
-Preoperative expenses written off	(25,716)	21,201	4,515
Adjusted loss carried over to balance sheet	3,600,032	21,201	4,515

*Summary of Assets and Liabilities, As Restated*

(in Rs.)

	<b>As At March 31, 2004</b>	<b>As At March 31, 2003</b>	<b>As At March 31, 2002</b>
A. Current Assets, Loans & Advances			
Cash in hand	749	439	270
Balance with schedule Bank-Current Account	38,623	6,743	4,315
Advance to Gujarat Power Corporation Ltd.	60,500,000	60,500,000	60,500,000
Total	60,539,372	60,507,182	60,504,585
B. Current Liabilities			
Sundry Creditors	15,120	15,260	2,100
Others Liabilities	60,500,000	60,500,000	63,589,362
Total	60,515,120	60,515,260	63,591,462
Net Worth (A-B)	24,252	(8,078)	(3,086,877)
Net Worth Represented By			
C. Share Capital	3,650,000	3,600,000	500,000
D. Profit and Loss Account (Debit Balance)	3,625,748	25,716	4,515
E. Miscellaneous Expenditure to the extent not written off	-	3,582,362	3,582,362



A) SIGNIFICANT ACCOUNTING POLICIES FOLLOWED ON 31.03.2004.

The accounts have been prepared under historical cost convention on accrual basis as per the applicable Accounting Standards.

B) MATERIAL NOTES TO ACCOUNTS

1. Pursuant to Presidential Directive received under Article of Association of National Thermal Power Corporation Limited (NTPC), NTPC had paid a sum of Rs. 6,05,00,000 for acquisition of 212 hectares of land in Amreli District of Gujarat to M/s Gujarat Power Corporation Ltd. (GPCL). The payment was made by NTPC on behalf of Pipavav Power Development Company Limited and accordingly is has been shown as advance to GPCL. The land is yet to be transferred in the name of the company.
2. GPCL has given NOC to Revenue Department of Government of Gujarat for transfer of 3.68 hectare of land (out of 212 hectare) to Railways for laying new rail line between Rajula and Pipavav port. The amount is yet to be received from railways in this regard.

Preliminary, pre-operative and Survey and Investigation expenses have been written off to Profit and Loss Account during the financial year 2003-04.

**NTPC Electric Supply Company Ltd.**

Financial Statements For The Financial Year Ended March 31, 2004 & for the year ended March 31, 2003

*Summary of Profit and Loss Account, as Restated*

(Rounded in Rupees)

Financial Year ended March 31	2004	2003
<b>Income/Revenue</b>		
Income from Consultancy, project management and supervision fee	14,630,513	0
Other Income	3,052,133	0
<b>Total</b>	<b>17,682,646</b>	<b>0</b>
<b>Expenditure</b>		
Employees' remuneration and benefits	13,141,022	30,484
Administration and other expenses	4,580,278	15,409
Finance Charges	13,447	100
<b>Total</b>	<b>17,734,747</b>	<b>45,993</b>
<b>Loss before tax</b>	(52101)	(45993)
Less : taxation - current	-	-
Less : taxation - Deferred	(18691)	(16500)
<b>Loss after tax as per audited statement of accounts (A)</b>	<b>(33,410)</b>	<b>(29,493)</b>
Adjustment on account of changes in accounting policies	0	0
Impact of material adjustments & prior period items	0	0
Total Adjustments (B)	0	0
<b>Adjusted Loss (A+B)</b>	(33,410)	(29,493)
Carried forward loss from previous year	(29493)	0
<b>Balance carried forward to Balance Sheet</b>	<b>(62,903)</b>	<b>(29,493)</b>



## II SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rounded in Rupees)

Financial Year ended March 31	2004	2003
<b>A Fixed Assets:</b>		
Gross Block	0	0
Less Accumulated Depreciation	0	0
Net Block	0	0
Add: Capital work-in progress	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>B Investments:</b>	<b>0</b>	<b>0</b>
<b>C Deferred Tax Assets</b>	<b>35,191</b>	<b>16,500</b>
<b>D Current Assets, Loans &amp; Advances</b>		
Sundry Debtors	18,853,087	0
Cash and Bank Balances	3,804,993	32,111
Total	22,658,080	32,111
<b>E Liabilities &amp; Provisions</b>		
Current Liabilities	22,564,898	41,284
Total	22,564,898	41,284
<b>F Net Worth (A+B+C+D-E)</b>	<b>128,373</b>	<b>7,327</b>
Net Worth Represented By		
<b>G Share Capital</b>	<b>809,100</b>	<b>809,100</b>
<b>H Reserve and Surplus</b>		
Balance as per Profit & Loss Account	(62,903)	(29,493)
Total	(62,903)	(29,493)
<b>I Miscellaneous Expenditure to the extent not written off</b>	<b>617,824</b>	<b>772,280</b>
<b>J Net Worth (G+H-I)</b>	<b>128,373</b>	<b>7,327</b>

### Significant Accounting Policies followed on 31<sup>st</sup> March 2004

- Preliminary expenses have been carried forward and amortised over a period of five years from the year of incurrence.
- Income from Consultancy service is accounted for on the basis of actual progress/technical assessment of work executed or costs incurred, in line with the terms of respective consultancy contracts.
- Pre-paid expenses and prior period expenses/income of items of Rs. 10,000/- and below are charged to natural heads of accounts.

### Changes in significant accounting policies

With the commencement of business activities of the company during the year, the accounting policies related to income from consultancy service and accounting of pre-paid expenses and prior period expenses/income have been adopted the company during the year ended 31.03.2004.

### Material Notes on Accounts

- The deferred tax asset of Rs. 18,691/- (previous year Rs. 16,500/-) is on account of carried forward loss for the year.
- Previous year's figures have been regrouped/ rearranged wherever necessary.



**NTPC Vidyut Vypar Nigam Limited**

Financial statements for year ended March 31,2004 and period ended March 31,2003

I. *Summary of Profit And Loss Account, as Restated*

(in Rs.)

	<b>Financial year ended 31st March,2004</b>	<b>Period ended 31st March, 2003</b>
<b>Income/Revenue</b>		
Electricity Sale	2240284833	40465487
Rebate on Purchases	51004607	-
Interest	68947	-
<b>Total</b>	<b>2291358387</b>	<b>40465487</b>
<b>Expenditure</b>		
Electricity Purchase	2192164927	39410489
Employees' remuneration and benefits	9505905	-
Administration & Other Expenses	5282944	130365
Rebate on sales	50101745	975526
Depreciation	37295	-
Preliminary Expenses written off	618480	154620
<b>Total</b>	<b>2257711296</b>	<b>40671000</b>
<b>Profit/(Loss) before Tax</b>	33647091	(205513)
Less: Current Tax	12193301	-
Profit/(Loss) after current tax	21453790	-
Provision for deffered Tax	140178	73728
Profit/(Loss) after tax as per audited statement of accounts (A)	21313612	(131785)
Adjustment on account of changes in accounting policies	-	-
Impact of material adjustments and prior period items	-	-
Total adjustments (B)	-	-
<b>Adjusted Profit/(Loss) (A+B)</b>	<b>21313612</b>	<b>(131785)</b>
Balance brought forward	(131785)	-
Profit/(Loss) available for appropriation	21181827	(131785)
Transfer to general reserve	2118183	-
Proposed Dividend	6354548	-
Tax on Proposed Dividend	814176	-
<b>Balance carried over to Balance Sheet</b>	<b>11894920</b>	<b>(131785)</b>



II. Summary of Assets And Liabilities, As Restated

(in Rs.)

	Financial year ended 31st March,2004	Period ended 31st March, 2003
<b>A Fixed Assets:</b>		
Gross Block	845690	-
Less: Accumulated Depreciation	37295	-
Net Block	808395	-
<b>B Deferred Tax Asset/(Liability)</b>	(66450)	73728
<b>C Current Assets, Loans &amp;</b>		
Advances:		
Sundry Debtors	228097028	8661618
Cash and Bank Balances	195795999	9220252
<b>Total</b>	<b>423893027</b>	<b>17881870</b>
<b>D Liabilities &amp; Provisions:</b>		
Current Liabilities & Provisions	210621869	17882763
<b>Total</b>	<b>210621869</b>	<b>17882763</b>
<b>E Net Worth (A+B+C-D)</b>	214013103	72835
Net Worth Represented By		
<b>F Share Capital</b>	200000000	500000
Share Application Deposit Account	-	323100
<b>Total</b>	<b>200000000</b>	<b>823100</b>
<b>G Reserve and Surplus</b>		
General Reserve	2118183	-
Balance as per Profit & Loss Account	11894920	(131785)
<b>Total</b>	<b>14013103</b>	<b>(131785)</b>
<b>H Miscellaneous Expenditure to the</b>		
extent not written off	-	618480
<b>I Net Worth (F+G-H)</b>	214013103	72835

Accounting Policies and Notes to Accounts

A. Accounting Policies:

1. Basis of Preparation of Financial Statements

The Company maintains its accounts on accrual basis following the historical cost convention.

2. Fixed Assets:

- Fixed Assets are shown at historical cost.
- Intangible assets are recorded at their cost of acquisition.

### 3. Profit And Loss Account

#### A. Income Recognition:

- i) Revenue from the sale of electricity is accounted for based on rates agreed with the customers.
- ii) The surcharge on late payment/overdue sundry debtors for sale of electricity is not treated accrued due to uncertainty of its realization and is, therefore, accounted for on receipt.

#### B. Expenditure:

- i) Depreciation is charged on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- ii) Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.
- iii) Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.
- iv) Computer software recognized as intangible assets is amortized on straight-line method over a period of 3 years.
- v) Expenses on training are charged to revenue in the year of incurrence.
- vi) Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.
- vii) Prepaid expenses and prior period expenses/income of items of Rs.1, 00,000/- and below are charged to natural heads of accounts.

#### B. Notes on Accounts

1. The company was incorporated as on 1<sup>st</sup> November 2002 hence previous year figures represent the period from 1<sup>st</sup> November to 31<sup>st</sup> March 2003(5 months).
2. Sales and purchase both include Rs. 14,13,619/- pertaining to previous year in line with the agreements with buyer/sellers, based on the tariff orders issued by the CERC and applicable to the seller. It has no impact on Profit/loss.
3. Contingent liability:  
Claims against the company not acknowledged as Debts is Rs.9, 07,772/-
4. AS-17 on segment reporting is not applicable as the company deals in single segment, company's principal business is trading of power. The company has not carried out any other business.
5. In compliance of Accounting Standard -22 on "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, provision for deferred tax Liabilities for the year ended 31<sup>st</sup> March 2004 has been made as under:

	(in Rs.)
Deferred Tax Asset as on 1 <sup>st</sup> April 2003	73728
Less: i) Deferred Tax Asset created during the year 2002-03 on account of timing difference of Preliminary Expenses.	2953
ii) Deferred Tax Asset created during the year 2002-03, (Permanent disallowable for Tax purpose).	61916
Deferred Tax Asset (Balance)	8859
Deferred Tax Liability	
Difference of Book depreciation and Tax depreciation	75309
<b>Deferred Tax Liability (Net)</b>	<b>66450</b>



**NTPC Hydro Limited**

Financial Statement For Year Ended 31st March, 2004 & for the period from December 12, 2002 To March 31, 2003

**I. Summary of Profit and Loss Account, as Restated**

(in Rs.)

<b>Year Ended March 31</b>	<b>2004</b>	<b>2003</b>
<b>Income/Revenue</b>	-	-
<b>Total</b>	-	-
<b>Expenditure</b>		
Operating & Other Expenses	16,276,142	16,293
Interest & Finance Charges	2,164	100
Depreciation/Amortisation	177,616	-
Preliminary, Issue and Deferred	789,493	-
<b>Total</b>	<b>17,245,415</b>	<b>16,393</b>
<b>Net Profit/(Loss) before extraordinary items &amp; prior period adjustments</b>	(17,245,415)	(16,393)
Add:		
Prior period adjustments (Net)	-	-
Profit/(Loss) before tax	(17,245,415)	(16,393)
<b>Profit/(Loss) after tax as per audited statement of accounts(A)</b>	(17,245,415)	(16,393)
Adjustment on account of changes in accounting policies	-	-
Impact of material adjustments and Prior period items	-	-
<b>Total adjustments(B)</b>	-	-
<b>Adjusted Profit/(Loss) (A+B)</b>	(17,245,415)	(16,393)
Carry forward profit/(Loss) from previous year	-	-
Accounting policy changes and prior period adjustments pertaining to previous year	-	-
Profit/(Loss) available for appropriation	(17,245,415)	(16,393)
<b>Balance carried forward to Balance Sheet</b>	<b>(17,245,415)</b>	<b>(16,393)</b>



## II. Summary of Assets and Liabilities, As Restated

(in Rs.)

Year Ended March 31	2004	2003
<b>A. Fixed Assets:</b>		
Gross Block	1,216,459	-
Less Accumulated Depreciation	177,616	-
Net Block	1,038,843	-
Add: Capital work-in-progress	-	-
<b>Total</b>	<b>1,038,843</b>	<b>-</b>
<b>B. Investments:</b>		
<b>C. Deferred Tax Assets/(Liability)</b>	-	-
<b>D. Current Assets, Loans &amp;</b>		
Advances:		
Cash and Bank Balances	1,226,034	49,400
Loans and Advances	57,295	-
<b>Total</b>	<b>1,283,329</b>	<b>49,400</b>
<b>E. Liabilities &amp; Provisions:</b>		
Current Liabilities & Provisions	2,019,487	15,793
Share Capital Deposit	1,000,000	323,100
<b>Total</b>	<b>3,019,487</b>	<b>338,893</b>
Net Worth(A+B+C+D-E)	(697,315)	(289,493)
Net Worth Represented By		
<b>F. Share Capital</b>	16,548,100	500,000
<b>G. Reserves and Surplus</b>		
Balance as per Profit & Loss Account	(17,245,415)	-
<b>Total</b>	<b>(697,315)</b>	<b>500,000</b>
<b>H. Miscellaneous Expenditure to the extent not written off</b>	-	789,493
<b>Net Worth (F+G-H)</b>	<b>(697,315)</b>	<b>(289,493)</b>

### Notes on Financial Statement For The Years Ended On 31<sup>st</sup> March, 2004 & For The Period From 12<sup>th</sup> December, 2002 To 31<sup>st</sup> March, 2003

#### A) Significant Accounting Policies

1. The accounts have been prepared on historical cost basis following accrual method of accounting
2. Fixed Assets are shown at historical cost.
3. Intangible assets are recorded at their cost of acquisition.
4. Depreciation is charged on straight line method at the rates specified in schedule XIV of the Companies Act, 1956.
5. Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal
6. Assets costing up to Rs. 5000/- are fully depreciated in the year of capitalization.
7. Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.

#### B) Others

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.313.47 Lakhs.