RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated August 24, 2007
100% Book Built Issue

POWER GRID CORPORATION OF INDIA LIMITED

(Incorporated on October 23, 1989 under the Companies Act, 1956 as a public limited company. The name of our Company was changed from National Power Transmission Corporation Limited to Power Grid Corporation of India Limited with effect from October 23, 1992. **Registered Office**: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016. Tel: +91 (11) 2656 0112. Fax: +91 (11) 2656 4849. **Corporate Office**: "Saudamini", Plot No.2, Sector 29, Gurgaon 122 001. Tel: +91 (124) 2571 700. Fax: +91 (124) 2571 848. Contact Person and Compliance Officer: Ms. Divya Tandon, Company Secretary. Tel: +91 (124) 2571 968. Fax: +91 (124) 2571 891. E-mail: investors@powergridindia.com. Website: www.powergridindia.com.

PUBLIC ISSUE OF UP TO 573,932,895 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE OF POWER GRID CORPORATION OF INDIA LIMITED ("POWERGRID", "THE COMPANY" OR "THE ISSUER") AGGREGATING RS. [●] MILLION (THE "ISSUE"). THE ISSUE COMPRISES A FRESH ISSUE OF UP TO 382,621,930 EQUITY SHARES BY POWERGRID (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 191,310,965 EQUITY SHARES BY THE PRESIDENT OF INDIA ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER")(THE "OFFER FOR SALE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 559,954,895 EQUITY SHARES ("THE NET ISSUE") AND A RESERVATION OF UP TO 13,978,000 EQUITY SHARES FOR SUBSCRIPTION BY EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE APPROXIMATELY 13.64% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF POWERGRID.

PRICE BAND: RS. 44 TO RS. 52 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH

THE FACE VALUE OF EQUITY SHARES IS RS.10 EACH. THE FLOOR PRICE IS 4.4 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 5.2 TIMES OF THE FACE VALUE.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and at the terminals of the members of the Syndicate.

This is an Issue of less than 25% of the post Issue capital of the Company and is being made pursuant to Rule 19(2)(b) of the SCRR (as defined below) through the 100% Book Building Process wherein at least 60% of the Net Issue size is required to be allotted to Qualified Institutional Buyers ("QIBs") on a proportionate basis. However, SEBI has through its letter dated April 5, 2007 permitted a relaxation from condition (c) of Rule 19(2)(b) of the SCRR with respect to the Issue, pursuant to which at least 50% of the Net Issue shall be Allotted to QIBs on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of two million securities are being offered to the public and the size of the Issue will aggregate to at least Rs. 1,000 million. If at least 50% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 13,978,000 Equity Shares shall be available for allocation on a proportionate basis to our Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs.10 each and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholder in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for grading of this Issue from a Securites and Exchange Board of India ("SEBI") registered credit agency.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the SEBI, nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer, Selling Shareholder and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated May 7, 2007 and April 30, 2007, respectively. NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
KOTAK MAHINDRA CAPITAL COMPANY LIMITED 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021. Tel: +91 (22) 6634 1100 Fax: +91 (22) 2284 0492 E-mail: pgc.ipo@kotak.com Investor Grievance E-mail: kmccredressal@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole	**CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED** **Citigroup Global Markets India Private Limited** 12th Floor, Bakhtawar Nariman Point, Mumbai 400 021 Tel: +91 (22) 6631 9999 Fax: +91 (22) 6631 9803 / 6646 6192 Email: pgcil.ipo@citigroup.com Investor Grievance E-mail: investors.cgmib@citi.com Website: www.citibank.co.in Contact Person: Mr. Shitij Kale	**ENAM SECURITIES PRIVATE LIMITED** 801, Dalamal Towers, Nariman Point, Mumbai 400 021 Tel: +91 (22) 6638 1800 Fax: +91 (22) 2284 6824 E-mail: pgc.ipo@enam.com Investor Grievance Email:complaints@enam.com Website: www. enam.com Contact Person: Ms. Lakha Nair	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17-24, Vthalrao Nagar Madhapur, Hyderabad 500 081 Tel: +91 800 345 4001 Fax: +91 (40) 2342 0814 Email: einward.ris@kavry.com Webistie: www.karvy.com Contact Person: Mr. M Murali

ISSUE PROGRAMME			
BID / ISSUE OPENS ON	**SEPTEMBER 10, 2007**	**BID / ISSUE CLOSES ON**	**SEPTEMBER 13, 2007**

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DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates the following terms have the following meanings in this Red Herring Prospectus.

Company-Related Terms

In this Red Herring Prospectus, unless the context otherwise indicates, all references to "Power Grid Corporation of India Limited", the "Company" and the "Issuer" are to Power Grid Corporation of India Limited, a public limited company incorporated in India under the Companies Act, 1956, with its registered office at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, and unless the context otherwise requires the terms "we", "us" and "our" are to Power Grid Corporation of India Limited and its Subsidiaries (as defined below).

Term	Description
Articles of Association or Articles	The articles of association of the Company, as amended from time to time
Audit Committee	The committee described in the section entitled "Our Management" at page 120 of this Red Herring Prospectus
Auditors	The statutory auditors' of the Company, being M/s. A. R & Company, Umamaheshwara Rao & Co. and M/s. SRI Associates
Board or Board of Directors	The board of directors of the Company
Directors	The directors of the Company
Memorandum of Association or Memorandum	The memorandum of association of the Company, as amended from time to time
Promoter	The President of India, acting through the Ministry of Power, Government of India
Registered Office	The registered office of the Company, which, is B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, India
Subsidiaries	Parbati Koldam Transmission Company Limited and Byrnihat Transmission Company Limited

Issue-Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Margin Amount that may already have been paid by such Bidder
Allotment/Allot	The allotment of Equity Shares pursuant to the Issue to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Bankers to the Issue	The bankers to the Issue in this case, ABN AMRO Bank N.V., Standard Chartered Bank, ICICI Bank Limited, Union Bank of India, Kotak Mahindra Bank Limited, Canara Bank, Citi Bank N.A and HDFC Bank Limited.
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form

Term	Description
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue and which shall be notified in one English newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the members of the Syndicate start accepting Bids for the Issue and which shall be notified in one English newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which Bidders can submit Bids, including any revisions thereof
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines
Book Running Lead Managers or BRLMs	The book running lead managers to the Issue, in this case being Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited and ENAM Securities Private Limited
Business Day	Any day other than Saturday or Sunday on which commercial banks Mumbai are open for business
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalised and above which no Bids will be accepted
Confirmation of Allocation Note or CAN	The note, advice or intimation of allocation of Equity Shares sent to Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid. Only Retail Individual Bidders and Employees are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price
Designated Date	The date on which the Escrow Collection Banks transfer funds from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders and the Selling Shareholder shall give delivery instructions for transfer of Equity Shares under the Offer for Sale to successful Bidders
Designated Stock Exchange	NSE
Draft Red Herring Prospectus	The draft red herring prospectus dated April 16, 2007 and issued in accordance with section 60B of the Companies Act and the SEBI Guidelines, which does not contain complete particulars of the price at which the Equity Shares are offered and the Issue size in terms of value

Term	Description
Eligible NRI	An NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus will constitute an invitation to subscribe for the Equity Shares
Employee	All or any of the following: (a) a permanent employee of the Company as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. (b) a Director of the Company, whether a whole time Director, part time Director or otherwise, as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.
Employee Reservation Portion	The portion of the Issue being up to 13,978,000 Equity Shares available for allocation to Employees
ENAM	Enam Securities Private Limited (erstwhile Enam Financial Consultants Private Limited) having its registered office at 24, B.D.Rajabahadur Compound, Ambalal Doshi Marg, Fort, Mumbai 400 001
Equity Shares	Unless the context otherwise indicates, the equity shares of the Company with a face value of Rs. 10 each
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	The agreement to be entered into between the Company, the Selling Shareholder, the Registrar, the BRLMs, the other members of the Syndicate and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Banks	The Escrow Collection Banks in this case being, ABN AMRO Bank N.V., Standard Chartered Bank, ICICI Bank Limited, Union Bank of India, Kotak Mahindra Bank Limited, Canara Bank, Citi Bank N.A and HDFC Bank Limited, which are clearing members and registered with the SEBI as Bankers to the Issue and with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Financial Year/Fiscal/FY	The period of 12 months ending on March 31 of a particular year, unless otherwise stated
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue	Issue of up to 382,621,930 Equity Shares by the Company at the Issue Price in terms of the Red Herring Prospectus.

Term	Description
Issue	The public issue of 573,932,895 Equity Shares at the Issue Price for cash aggregating to Rs. [●] million
Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
Issue Price	The final price at which Equity Shares will be Allotted. The Issue Price will be decided by the Company and the Selling Shareholder in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and in terms of the Red Herring Prospectus
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount
Memorandum of Understanding	The agreement entered into on April 14, 2007 between the Company, the Selling Shareholder and the BRLMs pursuant to which certain arrangements are agreed in relation to the Issue
Monitoring Agent	IFCI Limited
Mutual Funds	Mutual funds registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion	5% of the QIB Portion or up to 13,998,872 Equity Shares available for allocation to Mutual Funds only out of the QIB Portion
Net Issue	Issue less the Employees Reservation Portion, consisting of 559,954,895 Equity Shares to be Allotted in the Issue at the Issue Price
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount higher than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue being not less than 15% of the Net Issue or 83,993,234 Equity Shares at the Issue Price available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, as defined under the FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Offer for Sale	Offer for sale of up to 191,310,965 Equity Shares by the Selling Shareholder at the Issue Price in terms of the Red Herring Prospectus.
Pay-in Date	The Bid/Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the Pay-in Date
Price Band	The price band between the Floor Price of Rs. 44 per Equity Share and the Cap Price of Rs. 52 per Equity Share, including all revisions thereof

Term	Description
Pricing Date	The date on which the Company and Selling Shareholder, in consultation with the BRLMs, finalise the Issue Price
Prospectus	The prospectus to be filed with the RoC pursuant to section 60 of the Companies Act, 1956 containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date
Qualified Institutional Buyers or QIBs	Public financial institutions specified in section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million and pension funds with a minimum corpus of Rs. 250 million
QIB Margin Amount	An amount representing at least 10% of the Bid Amount being the amount QIBs are required to pay at the time of submitting a Bid
QIB Portion	The portion of the Net Issue being at least 50% of the Net Issue or 279,977,448 Equity Shares at the Issue Price to be Allotted to QIBs on a proportionate basis
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Bank	The Escrow Collection Bank(s) in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made
Registrar to the Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue being not less than 35% of the Net Issue or 195,984,213 Equity Shares at the Issue Price available for allocation to Retail Individual Bidders
Revision Form	The form used by Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Red Herring Prospectus or RHP	This Red Herring Prospectus dated August 24, 2007 issued in accordance with section 60B of the Companies Act which does not have complete particulars of the price at which the Equity Shares are offered and the Issue size in terms of value and which will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Selling Shareholder	The President of India, acting through the Ministry of Power, Government of India
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs and the Syndicate Members

Term	Description
Syndicate Agreement	The agreement between the members of the Syndicate, the Company and the Selling Shareholder in relation to the collection of Bids in the Issue
Syndicate Member	Kotak Securities Limited
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement between the Company, the Selling Shareholder and the Underwriters to be entered into on or after the Pricing Date

Conventional and General Terms

Term	Description
Act or Companies Act	Companies Act, 1956 as amended from time to time
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Crore	10 million
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant or DP	A depository participant as defined under the Depositories Act
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of a company
EPS	Earnings per share, i.e., profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto
FEMA Overseas Investment Regulations	The Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, as amended from time to time
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with the SEBI
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time) registered with the SEBI
GIR No	General Index Register Number

Term	Description
GoI or Government	Government of India
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
I.T. Act	Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering (i.e., the Issue)
Industrial Policy	The policy and guidelines relating to industrial activity in India, issued by the Government of India from time to time
Insurance Regulatory and Development Authority/ IRDA	Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999
km	Kilometres
m	Metres
MoP	Ministry of Power, Government of India
MoF	Ministry of Finance, Government of India
MoEF	Ministry of Environment and Forests, Government of India
MoU	Memorandum of Understanding
N/A	Not Applicable
NEFT	National Electronic Fund Transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
PAN	Permanent Account Number allotted under the I.T. Act
RBI	The Reserve Bank of India
Re.	One Indian Rupee
RoC	The Registrar of Companies, National Capital Territory Delhi and Haryana
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement

Term	Description
SCRA	Securities Contract (Regulations) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time
STT	Securities Transaction Tax
US GAAP	Generally accepted accounting principles in the United States of Amercia
VCF(s)	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time

Industry-Related Terms

Term	Description
APDRP	Accelerated Power Development and Reform Programme
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CTU	Central Transmission Utility
BOO	Build, own and operate
BOOT	Build, own, operate and transfer
DWDM	Dense Wave Division Multiplexes
EBITDA	Earning before interest, tax, depreciation and amortization
Electricity Act	Electricity Act, 2003, as amended from time to time
FERV	Foreign Exchange Rate Variation
HVDC	High voltage direct current
IUC	Interconnection Usage Charges
ISTS	Inter regional electric power transmission system
NLDC	National Load Despatch Centre
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RLDC	Regional Load Despatch Centre
ROE	Return on Equity
SDH	Synchronous Digital Hierarchy
SEB	State Electricity Board
SPUs	State Power Utilities comprising of transmission and distribution companies formed pursuant to the unbulding of SEBs
UCPTT	Uniform Common Pool Transmission Tariff
ULDC	Unified Load Despatch Centre

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Red Herring Prospectus to "India" are to the Republic of India. All references in this Red Herring Prospectus to the "US", "USA" or "United States" are to the United States of America.

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We and the Selling Shareholder have not attempted to explain those differences or quantify their impact on the financial data included herein, and we and the Selling Shareholder urge you to consult your own advisors regarding such differences and their impact on our financial data.

Currency of Presentation

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€" are to Euros, the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Market Data

Market data used throughout this Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that its accuracy and completeness is not guaranteed and its reliability cannot be assured. Although we and the Selling Shareholder believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified by us.

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "propose", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which our Company has its businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, regulatory changes in the power sector, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the Selling Shareholder, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholder and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares Allotted pursuant to the Issue.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. You should read this section in conjunction with the sections entitled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 57 and 207 of this Red Herring Prospectus, as well as the other information contained in this Red Herring Prospectus. If any one or some combination of the following risks were to occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline.

Internal Risks

1. Most of our income is derived from the transmission of power to the State Power Utilities ("SPUs"), and many of these entities have had weak credit histories in the past.

The SPUs are our largest customers. They accounted for at least 79% of income in Fiscal 2005, 2006 and 2007. In the three months ending June 30, 2007, SPUs accounted for 83% of income. In accordance with the terms of allocation letters issued by the GoI, we are obliged to undertake the transmission of electricity to SPUs from Central Sector generation stations through our transmission system. The SPUs include certain SEBs, and also the entities that have been created by the unbundling of the remaining SEBs.

The SEBs had weak credit histories in the past. The financial performance of the SEBs deteriorated significantly during the decade prior to the one time settlement ("OTS") of their past-due amounts under a "securitisation scheme" in 2003. The estimated commercial losses of the SEBs in Fiscal 2002 (without taking subsidies into account) were approximately Rs. 330 billion. The OTS introduced several measures that have improved the financial condition of the SEBs and have given protection to certain of their creditors, including us. These measures included the issuance to us of Rs. 18.62 billion in bonds and Rs. 1.54 billion as long term advances to "securitise" our past due receivables from the SEBs. In addition, our agreements with the SPUs are backed by letters of credit that cover 105% of the SPUs' preceding twelve months average billings with us. Presently, we collect nearly 100% of our receivables from SPUs on a timely basis. We cannot, however, assure you that as a result of the OTS, the creditworthiness of the SPUs will remain strong. Nor can we assure you that we would be able to recover all the outstanding amounts due to us from SPUs if their creditworthiness were to deteriorate again. In any such case, our financial position could be adversely affected.

2. Our flexibility in managing our operations is limited by the regulatory environment in which we operate.

The power industry in India is regulated by laws, rules and directives issued by governmental and regulatory authorities. These laws, rules and directives have changed significantly in recent years. There are likely to be more changes in the next few years. The Electricity Act puts in place a framework for a series of reforms in the sector, but in many areas the details and timing of the reforms are yet to be determined. It is expected that many of these reforms will take time to be implemented. In the event there are additional reforms, including changes to the current regulatory bodies or to the existing rules and directives, our business could be adversely affected.

For example, currently, we undertake each new transmission project with the expectation that the tariffs we will be allowed to recover from customers will compensate us on a cost-plus basis for undertaking the project. However, the new national tariff policy notified by the GoI on January 6, 2006 provides that tariffs on all projects for which we might wish or expect to be the developer shall be determined on the basis of competitive bidding, commencing after a period of five years from the adoption of the tariff policy, or at such date as CERC is satisfied that the situation is appropriate to introduce competition. If we are unable to adapt to a regulatory regime in which new transmission

projects are approved for the interested developer on the basis of competitive bidding, then we may not be able to take on new projects and make them work for us on a commercial basis. This could have an adverse effect on our growth plans. For a more detailed description of the current regulatory bodies and the existing laws, rules and directives, see the section entitled "Regulations and Policies" beginning on page 92 of this Red Herring Prospectus.

3. Our tariffs could in the future be modified in ways that could have an adverse effect on our results of operations.

Pursuant to the Electricity Act, a new national tariff policy was adopted in 2006. CERC is to be guided by this policy when specifying the terms and conditions of particular tariffs. Our current tariffs should in general remain in place until fiscal 2009. In the event, however, that the current tariff policy changes or CERC modifies our tariffs, our business, financial condition and results of operations could be adversely affected. Any such changes could have the effect of, for example, reducing the return on equity currently allowed to us on our projects, change our rate of recovery of operation and maintenance expenditure or set additional limitations on our ability to recover the costs of assets we develop or services we provide. In the past, CERC reduced our return on equity from 16% to 14% with effect from April 1, 2004.

For a discussion of current tariff policy in the electricity industry in India, see the section entitled "Regulations and Policies" beginning on page 92 of this Red Herring Prospectus.

4. The Electricity Act introduces measures which could result in increased competition for us.

Since 1998, the Indian power transmission sector has been open, as a matter of law and regulation, to possible investment by private entities, domestic and international, as transmission licencees. In 2000, the GoI issued guidelines for private sector investment in power transmission. Further, the Electricity Act, which came into effect in June 2003, provides for open access to transmission and distribution networks, permits the creation of alternative or parallel distribution networks, allows captive generation units to move power to end-use destinations ("captive use") without the payment of surcharges and introduces power trading as an activity distinct from power generation, transmission and distribution. Further, the national tariff policy notified by the GoI on January 6, 2006 provides that tariffs on all projects by developers other than the CTU or STUs shall be determined on the tariff based competitive bidding. Such tariff based competitive bidding shall also be applicable for projects being undertaken by the CTU or the STUs after a period of five years from the date of the tariff policy, or when CERC is satisfied that the situation is appropriate to introduce competition. In addition, the GoI has also formed an "Empowered Committee", chaired by a member of CERC, which has identified 14 new electric power transmission projects in which the project developer will be selected through competitive tariff-based bidding. As a consequence of these reforms, large Indian business houses and international companies, among others, including some that already have a presence in the Indian power sector, may seek to expand their operations in the Indian transmission sector. The power sector in India could also attract new domestic and international entrants. Significant competition from within or outside India could adversely affect our growth plans and might affect our future results of operations.

5. Transmission projects require a substantial capital outlay and time before any benefits or returns on investments are realized.

Our projects typically require substantial capital outlays and time before the commencement of commercial operation. As per CERC regulations, we are paid a return on our equity in a project only after the commencement of commercial operation of the project. In the event of a time overrun for a project in which we are investing, returns on our investment in that project will be postponed during the delay. In particular, if a new transmission project is linked to a new generation project, and the generation project is delayed, our return on our investment in the transmission project will be postponed, subject only to the receipt of limited indemnification amounts from the generator. Conversely, our failure to complete a transmission project that is linked with a generation project,

according to the transmission project's agreed schedule, might require us to indemnify the generators up to certain limited amounts. As a result of any such delays or costs, our return on investment on the affected transmission project may be lower than originally expected.

The time and costs required to complete a project may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills or labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent the completion of, our projects. It is possible that in certain circumstances CERC may not approve the increased capital expenditure brought about by a delay on a project when setting the tariff for that project, which would result in a reduction on our return on our investment in that project.

6. Our new projects and expansion plans are subject to a number of contingencies.

Our new projects and expansion plans are subject to a number of contingencies, including changes in laws and regulations, governmental action or inaction, delays in obtaining permits or approvals, accidents, natural calamities and other factors beyond our control. In addition, most of our projects are dependent on the availability of competent external contractors for construction, delivery and commissioning, as well as the supply and testing of equipment. We cannot assure you that the performance of our external contractors will always meet our terms and conditions or performance parameters. If the performance of contractors is inadequate to our requirements, this could result in incremental cost and time overruns which in turn could adversely affect our new projects and expansion plans. Although, our contractors furnish performance guarantees, generally for 12-18 months, we cannot assure you that in the event of poor execution of contracts we would always be able to enforce the performance guarantees from these contractors. Also, due to the significant level of general construction activity in India today, there is a huge demand for construction companies, and the availability of competent construction companies may be limited. If we are not able to award our projects to competent contractors on a timely basis, or on terms than provide for the timely and cost-effective execution of the project, our projects may be delayed and our returns on those projects may be affected.

In addition, as part of our growth strategy, we may seek to acquire businesses, technologies and products. We may choose to incur additional debt to fund any such expansion plans. Nevertheless, we may fail to complete such acquisitions, or realise the anticipated benefits of such acquisitions, and may incur unforeseen costs. This could negatively affect our business.

7. Our business involves various risks, and we may not have sufficient insurance to cover our economic losses.

Our operations are subject to a number of risks generally associated with the transmission of electricity. These risks include explosions, fires, earthquakes and other natural disasters, breakdowns, failures or substandard performance of equipment, improper installation or operation of equipment, accidents, acts of terrorism, operational problems, transportation interruptions and labour disturbances. These risks can cause personal injury and loss of life and damage to, or the destruction of, property and equipment, and may result in the limitation or interruption of our business operations and the imposition of civil or criminal liabilities.

We maintain a self-insurance scheme to cover a portion of our business risks. We also maintain insurance policies with outside insurers in respect of risks to certain critical equipment and other selected risks. Certain of our telecom assets are insured against fire damage. We carry coverage against various other fire and allied perils and against certain risks of theft. We do not carry any insurance against harm to third parties, other than during the course of construction of our projects.

We believe that our self insurance reserve and other insurance policies mentioned above provide us with an optimum level of insurance against risks, given the costs of additional insurance. However, we cannot assure you that if we suffer material losses, our self insurance and insurance arrangements will be sufficient to cover those losses. If our losses are more than our insurance coverage, our result of operations could be adversely affected.

8. Our expansion plans require significant capital expenditure. If we are unable to obtain the necessary funds on acceptable terms, our growth plans could be adversely affected.

We will need significant additional capital to finance our business plan and in particular, our plans for transmission infrastructure expansion. Subject to government approvals, we plan to spend approximately Rs. 550 billion over the next five years as part of the GoI's Eleventh Five Year Plan. As per the current regulations, we would expect that 30% of our proposed capital expenditure would be funded by equity and the remaining 70% would be funded by debt financing.

We have in the past been able to finance our projects on competitive terms. Nevertheless, our plan for new projects over the next five years is substantial, and our ability to finance this plan is subject to a number of risks, contingencies and other factors, some of which are beyond our control, including general economic and capital markets conditions and our ability to obtain financing on acceptable terms. Furthermore, adverse developments in the Indian credit markets, such as the recent increase in interest rates, or the downgrading of our credit rating of AAA by CRISIL or LAAA by ICRA, could increase our debt service costs and the overall cost of our funds. We cannot assure you that debt or equity financing or our internal accruals will be available or sufficient to meet our capital expenditure requirements.

9. We have substantial borrowings. In the event we were to default in the repayment of our debt or not comply with the terms of our loan agreements, our business and results of operations could be adversely affected.

As of June 30, 2007 our total borrowings were Rs. 202,315.92 million and our debt to equity ratio was 1.81:1. We generally meet our debt service obligations and repay our outstanding borrowings using the cash flow produced under our tariffs, which have built-in provisions for the repayment of our debt. However, for various reasons, there can be no assurance that we will be able to pay our debt obligations on time. In the event that the completion of a new project were to be substantially delayed, we might have to service the debt financing for that project before generating any cash flows from that project. Further, an event of default under our loans could occur due to factors beyond our control, for example if India were to fail to remain a member of the Asian Development Bank or similar multilateral funding agencies. If we fail to meet our debt service obligations or if a default otherwise occurs, our lenders could declare us in default under the terms of our borrowings and accelerate the maturity of our obligations. Any such acceleration could have a material adverse effect on our cash flows, business and results of operations.

10. Our indebtedness and the conditions and restrictions imposed by our financing arrangements could adversely affect our ability to conduct our business and operations.

There are covenants in the agreements we have entered into with certain banks and financial institutions for our short-term borrowings, medium-term borrowings, bond trust deeds and multilateral lending institutions that require us to obtain written consent from lenders prior to, amongst other circumstances, creating further encumbrances on our assets, disposing of assets outside the ordinary course of business, effecting any scheme of amalgamation or restructuring, undertaking guarantee obligations, incurring capital expenditures beyond certain limits, undertaking new projects or making investments, which could be interpreted to include investments in special purpose vehicles. In addition, some of our loan agreements contain financial covenants that require us to maintain, among other things, high ratings on our debt from credit rating agencies, a specified net-worth-to-assets ratio, a specified debt-service-coverage ratio and a specified fixed-asset-coverage ratio. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be

able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loans. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

11. The appraisal report of the World Bank has highlighted certain risks associated with our Company and our transmissions projects.

The World Bank issued an appraisal report on December 15, 2005 with respect to certain of our transmission projects constituting the Power System Development Project-III. The appraisal report highlights certain risks to our ability to meet project objectives, which are primarily linked to GoIs continued commitment to power sector reforms. The risks highlighted by the World Bank include any deterioration in the financial performance of our Company, tariffs in the north-east region being kept too low for sufficient cost recovery, inadequate attention to continued institutional development, untimely payment of dues by customers, inadequate compensation for the investment made for providing open access, any delay in implementation of key projects and inadequate implementation of our social and environmental safeguard policy.

12. The generation system linked to two of our transmission projects for which we intend to utilize proceeds from the net issue have been delayed.

We anticipate that the construction of the Kudankulam Atomic Power Project and Neyveli Lignite Corporation Generation Project will be delayed by 19 and 14 months respectively. Our transmission projects linked to these generation projects, for which we propose to utilize proceeds from the net issue, shall be rescheduled as per the completion schedule of the generating projects. As a result, we will not be able to recover the tariffs on these projects until the completion of the generation projects, due to which our returns on investments in these projects shall be delayed.

13. In the future, our quarter-to-quarter financial information may not be strictly comparable, because such financial information would vary if a new project were commissioned in a particular quarter.

We start generating income in respect of a project after the completion of the project. At any point in time, we have several ongoing projects with different project completion schedules. As a result, the completion of one or more projects in a particular quarter could increase our income. In such a case, our income in that quarter may not be comparable to our income in previous quarters.

Our accounting policies for charging depreciation on our transmission assets are as prescribed by CERC. As a result, we use lower rates of depreciation than the rates that would apply to us under the Companies Act. As such, our results of operations may generally be higher than the results we would have recorded had we been applying the depreciation rates in the Companies Act.

14. Timing mismatches between our generation-linked transmission projects and the completion by generating companies of new electricity generators could lead to delays in our returns on equity.

Typically, we enter into projects to extend our transmission infrastructure when there are new electricity generators being constructed that we will connect to our transmission system. Because we are paid a return on our equity only after the commencement of service of a transmission project, if either our transmission project or the related electricity generation project is delayed, our equity in the transmission project may be blocked and we may go without any returns on that equity during the course of the delay. For example, the power evacuation system for the Dulhasti Hydro Power Project was completed in 2000 while the corresponding hydro power generation project has only been completed recently. Further, if it were our transmission project that were delayed rather than the generation project, we might have to indemnify the generation company up to certain limited amounts under indemnities that we and generators typically give each other at the time the related transmission

and generation projects are undertaken. When it is the generation project that is delayed, we may be able to collect under the indemnity we are owed. As a result of any such delays or costs, however, our return on investment on the affected transmission project may be lower than originally expected.

15. We undertake some of our projects in joint ventures with third parties, which entails certain risks.

We have entered into a joint venture arrangement with The Tata Power Company Limited for the construction and development of the Tala Transmission Project. Additionally, we currently hold a 26% equity stake in Torrent Powergrid Limited and a 20.63% equity stake in Jaypee Powergrid Limited both of which are public-private joint ventures established for the development of dedicated private transmission lines. Our respective partners in these ventures are Torrent Power Limited and Jaiprakash Hydro-Power Limited. Investments through joint ventures may, under certain circumstances, involve risks. Joint venture partners may fail to meet their financial or other obligations in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our business interests or goals, or those of our shareholders. In each of our joint venture arrangements, we have a minority interest. Therefore, our joint venture partner in each of these joint venture arrangements will have effective control with respect to shareholder actions or approvals, except where our affirmative agreement is required under the Companies Act or the terms of the joint venture. Any disputes that may arise between us and our joint venture partners may cause delays in completion or the suspension or abandonment of the project. Our joint venture agreements contain provisions that prevent changes in the parties who are equity partners for, in general five years. Therefore, if we determine that we have sought to pursue participation in a particular project with the wrong partners, we may be unable to change partners or continue to participate in the project as we had planned.

Under the terms of our joint venture arrangement with The Tata Power Company Limited for the construction and development of the Tala Transmission Project, we are obliged to make payment to the joint venture entity the full tariff amount due, regardless of our collections from customers. Therefore, we bear the risk of non-collection from customers. In addition, under the terms of the joint venture arrangement, we may have to buy out the joint venture in case of a default by either party or a force majeure event, subject to CERC approval. See "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus. If we were required to buy out the joint venture, our financial position might be affected.

In general, we face the risk in our joint ventures of losing all our equity in the event of a material breach of the joint venture entity's obligations, insolvency of the joint venture entity or similar developments.

16. If we are unable to manage our growth effectively, our business and financial results could be adversely affected.

We are growing our current business and diversifying into new areas such as telecommunication infrastructure. Such a growth strategy will place significant demands on our management as well as on our financial, accounting and operating systems. It may also exert pressure on the adequacy of our capitalisation, making management of asset quality increasingly important. Furthermore, as we scale up, we may not be able to execute our projects efficiently, which could result in delays, increased costs and diminished quality. In turn, our reputation may be adversely affected.

Any inability to manage our growth effectively and on favourable terms could have an adverse effect on our business and financial performance and the price of our Equity Shares.

17. An accident could occur if we handle electricity improperly under potentially dangerous circumstances.

The nature of our business requires us to work with electricity under potentially dangerous circumstances. If improperly handled or subjected to unsuitable conditions, high voltage electricity can hurt or kill employees or other persons and cause damage to our properties and the properties of others. This could subject us to disruptions in our business, legal and regulatory difficulties and costs and liabilities, which could adversely affect our results of operations. We do not carry any insurance against harm to third parties, other than during the course of construction of our projects.

In certain countries, there have been attempts by claimants to argue that the high-voltage transmission of electricity can have an adverse effect on the health of people who spend time near transmission infrastructure. To our knowledge, no such claim has succeeded. If, however, any such claim were to be brought against us and succeed, our business and financial condition could be adversely affected.

18. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or other disputes with our employees.

As at June 30, 2007, we had 7,475 full-time employees. Substantially all of our employees at the workman level are affiliated with labour unions.

In recent years, we have had no instances of strikes or labour unrest. We believe that we have harmonious relationships with our worker unions. Nevertheless, there can be no assurance that we will not experience disruptions in our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. Efforts by labour unions to affect compensation and other terms of employment may divert management's attention and increase operating expenses which could adversely affect our business and results of operations.

19. If we are unable to adapt to technological changes, our business could suffer.

Our future success will depend in part on our ability to respond to technological advances and emerging power transmission industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails technical and business risks. We cannot assure you that we will successfully implement new technologies effectively or adapt our systems to emerging industry standards. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

20. If we are not able to obtain, renew or maintain the statutory and regulatory permits and approvals required to operate our transmission business, our business may suffer.

We are required to obtain certain statutory and regulatory permits and approvals to operate our transmission business. For instance, with respect to transmission projects, the Company requires the approval of the GoI for all investments above Rs. 5 billion. Additionally, the Company may be required to obtain approval of the Ministry of Environment and Forests of the GoI under the Forest (Conservation) Act, 1980 if a project involves the diversion of forest land, and the specific clearance of the Supreme Court of India if the project involves the erection of transmission lines in areas designated as wildlife sanctuaries or national parks. While the Company believes that it will be able to obtain or renew permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any such permits or approvals in the time anticipated by the Company or at all. For example, the Company has applied for approvals under the Forest (Conservation) Act, 1980 for certain projects, for which approvals are in process. If the Company is unable to renew, maintain or obtain required permits or approvals, this may result in interruptions in the implementation of its projects. For further details regarding approvals, please refer to the section entitled "Government and Other Approvals" beginning on page 281 of this Red Herring Prospectus.

21. Grid disturbances or failures could adversely affect our reputation and our relations with our regulators and stakeholders.

Grid disturbances can arise when sufficient imbalances exist between power being delivered to and power being removed from the transmission system. We employ modern load despatch and communications systems and methods to avoid such outcomes, and we have not suffered a major grid disturbance since January 2003. Nevertheless, we could be subject to grid disturbances despite our efforts to avoid them, as a result of actions taken by generators or customers or for other reasons. Long-lasting or repeated disturbances could adversely affect our reputation as a transmission operator with customers, generators, our regulators and others. Such loss of reputation could hurt our consultancy business and make relations with our regulators difficult.

22. Our recovery of operating and maintenance expenses under our tariffs may not compensate us for all such expenses

Under our tariffs, we receive reimbursements for our operating and maintenance expenses at normative rates, rather than actual rates. As a result, if our actual operating and maintenance expenses exceed the reimbursements we receive, our profit will be reduced by the shortfall amount.

23. We are subject to government regulation of the telecommunication industry and intense competition from other telecom operators.

The GoI, along with TRAI, regulates many aspects of the telecommunication industry in India. The extensive regulatory structure under which we operate could constrain our flexibility to respond to market conditions, competition or changes in our cost structure, and thereby adversely affect our telecommunication business.

Further, we face intense competition from telecommunication companies that have a pan-India footprint such as Bharat Sanchar Nigam Limited., Bharti Airtel Limited, Tata Teleservices Limited and Reliance Communications Limited. Competition may affect our customer growth and profitability by causing our subscriber base to decline and may cause both a decrease in the rates we can charge and an increase in churn.

24. We have short term contracts with customers in our telecom business.

The purchase orders received by us from our telecom customers and the capacity agreements entered into with our customers are normally for a period of one year. However, these agreements have provisions for earlier termination and hence there is no assurance that a customer may stay with us for the entire period of one year or beyond. The termination of contracts before the expiry period or non-renewal of our existing contracts may adversely affect our results of operations.

25. Our telecom business may be affected by changes in technology.

The telecommunication industry is subject to rapid and significant changes in technology. The DWDM and SDH communications technologies we currently deploy may become obsolete or subject to competition from new technologies in the future, and the technology in which we invest in the future may not perform as we expect or may be superseded by competing technologies before our investment costs have been recouped. In addition, the cost of implementing new technologies, upgrading our networks or expanding network capacity to effectively respond to technological changes, such as the introduction of third-generation mobile communications technologies, may be substantial. Our ability to meet such costs will, in turn, depend upon our ability to obtain additional financing on commercially acceptable terms. Moreover, there can be no assurance that technologies will develop according to anticipated schedules, or that they will perform according to expectations or be commercially accepted. As a result, our telecom business and results of operations could be negatively affected.

26. Our consulting business could be harmed if funding for our consulting clients and their programmes were to be reduced by the GoI or other governments or institutions.

A significant amount of the income we generate from our consultancy business is due to government-funded programmes such as the APDRP and the RGGVY, where we are one of the agents chosen to implement some or all parts of the relevant projects. In the event that government funds for such programmes were to be reduced, or if we were unable to win new assignments under these programmes, our consultancy income would be adversely affected. In addition, the international consultancy projects which we secure are often related to programmes funded by multilateral agencies such as the World Bank, or governments. Were such sources of funds for these programmes to be reduced, our consulting income relating to such programmes would be adversely affected.

27. We face competition in our consulting business.

Competition in the consulting business can be intense. If we are unable to compete vigorously and effectively in the consulting business, or if we are unwilling or unable to commit additional resources in order to compete effectively, consulting business and its results of operations could be adversely affected.

28. Some of our immovable properties do not have clear title, as a result of which our operations may be impaired.

Several of the immovable properties for our substations, transmission lines and other infrastructure are acquired by the GoI or the concerned state governments under the provisions of the Land Acquisition Act, 1894 and are thereafter awarded to us under the provisions of this Act. In some instances the land acquisition procedures prescribed under the Land Acquisition Act, 1894 are yet to be completed so as to provide us with clear and absolute title to the relevant immovable properties. Furthermore, certain litigation or objections have been initiated with respect to some of these immovable properties by the affected persons, primarily with respect to claims of enhancement of compensation for the land acquired, and are pending before various forums and courts in India. For further information, see the section entitled "Outstanding Litigation and Material Developments" on page 239 of this Red Herring Prospectus. In addition, several of our material (in value, size or importance) immovable properties for our transmission lines, infrastructure and projects, whether owned or leased by us, have one or more irregularities of title including that the conveyance deeds and lease deeds for transfer of property are inadequately stamped or have not been executed or registered with the concerned authority, due to which we may not be able to prove tenancy or ownership rights over such property.

29. We currently engage in foreign currency borrowing and we are likely to continue to do so in the future, which exposes us to fluctuations in foreign exchange rates and other potential costs.

While our principal revenues are in Rupees, we borrow funds from outside India in foreign currencies. As at March 31, 2007 and June 30, 2007, we had Rs. 613,56.39 million and Rs. 60,596.94 million equivalent respectively of foreign currency borrowings outstanding. These borrowings are held in currencies such as U.S. Dollars, Euros, Swiss Francs, Swedish Kroner, Japanese Yen and British Pounds Sterling. This borrowing exposes us to losses due to fluctuations in foreign currency exchange rates. Currently, any transmission-related financial expense that we incur as a result of foreign currency borrowing is passed on to our customers as part of our tariff arrangements. Were this to change, volatility in foreign exchange rates could adversely affect our business. In addition, in the event of disputes under any of our foreign currency borrowings, we may be required by the terms of those borrowings to defend ourselves in foreign court or arbitration proceedings, which could result in additional costs to us.

In addition, our results are affected by the application of Clause 4(e) of Indian Accounting Standard 16, which states that, under Indian GAAP, borrowing cost may include exchange differences arising

from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. Adjustment to the interest costs is calculated as the exchange difference on the foreign currency borrowings to the extent of the difference between interest on local currency borrowing and interest on foreign currency borrowing. If this difference is equal to or more than the exchange difference on the amount of principal of the foreign currency borrowings, the entire amount of exchange difference is covered under borrowing cost. If this difference is less than the exchange difference on the amount of principal of the foreign currency borrowings, the balance amount would be treated as exchange rate variation and will be accounted in the profit and loss account. As at June 30, 2007, the favourable US Dollar, Swiss Francs and other currencies to Rupee exchange rate resulted in adjustments in our interest costs, leading to a reduction of Rs. 1,983.40 million in interest and finance charges. This reduction increased our net profit by Rs. 1,983.40 million, which constituted 43.70% of our net profit.

30. Social and environmental laws and concerns may create increasing difficulties for us as we engage in new transmission projects.

Our projects involve certain social and environmental costs, including the displacement of individuals and the cutting of trees and crops. We expect that as time passes there may be more social disapproval of the construction of large and extensive manmade structures such as power lines and towers, due to increasing general concerns for the state of the natural environment or for other reasons. Any such change in regulation or law could make it more difficult for us to build new transmission projects in the future, which could have an adverse effect on our growth plans.

31. Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

Our future performance depends on the continued service of our management team and skilled personnel. We also face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in India, and it may be difficult to attract and retain the personnel we need in the future. Although we believe we have employee-friendly policies, including an incentive scheme to encourage employee retention, the loss of key personnel may have an adverse affect on our business, results of operations, financial condition and ability to grow.

For details of the profile of our key management, see the section titled "Our Management" beginning on page 120 of this Red Herring Prospectus.

32. Growth in demand for power and telecommunication services in India depends on domestic and regional economic growth.

The power and telecommunication industries are dependent on the level of domestic, regional and global economic growth, international trade and consumer spending. The rate of growth of India's economy and of the demand for power and telecommunication services in India may not be as high, or may not be sustained for as long, as we have anticipated. During periods of robust economic growth, demand for such services may grow at a rate as great as, or even greater than, that of GDP. On the other hand, during periods of slow GDP growth, such demand may exhibit slow or even negative growth. There can be no assurance that future fluctuations of the economic or business cycle, or other events that could influence GDP growth, will not have a material adverse effect on our business, prospects, financial condition and results of operations.

33. We do not have intellectual property rights over our corporate logo.

We have applied for registration of our corporate name and logo, which are currently pending before the Registrar of Trademarks, New Delhi. Currently we do not have a registered trademark over our corporate logo.

34. We will continue to be controlled by the GoI following the Issue, and our other shareholders will be unable to affect the outcome of shareholder voting.

After the completion of this Issue, the GoI will own approximately 86.36% of our paid-up capital. Consequently, the GoI, acting through the MoP, will continue to control us and will have the power to appoint and remove our directors and therefore determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed annual and other plans, revenue budgets, capital expenditures, dividend policy, transactions with other GoI-controlled companies or the assertion of claims against such companies and other public sector companies. In particular, given the importance of the power industry to the economy, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits. In addition the GoI significantly influences our operations through its various departments and policies.

35. We do not expect to receive any further equity infusions from the GoI for meeting our growth requirements.

In the past, we have received the support of the GoI in part through equity infusions. In Fiscal 2007, Fiscal 2006 and Fiscal 2005, the GoI infused equity into the Company to the extent of Rs. 2,000 million, Rs. 4,193.8 million and Rs. 1,300 million, respectively. We cannot assure you that we will continue to receive equity infusions from GoI following the completion of the Issue.

36. We have issued Equity Shares in the last one year for a price lower than the Issue Price.

We have issued an aggregate of 85,812,000 Equity Shares representing 2.24% of the pre-Issue paid-up capital and 2.04% of the post-Issue paid up capital to the President of India in the one year preceding this Red Herring Prospectus at a price lower than the Issue Price.

Details of such issuances are included in the table set out in the section entitled "Capital Structure" at page 23 of this Red Herring Prospectus.

37. Future sales of Equity Shares by the GoI and additional issuances of equity may dilute your holdings and could adversely affect the market price of our Equity Shares.

Any future issuance of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by the GoI could adversely affect the market price of our Equity Shares.

38. Our deployment of the net proceeds of the Fresh Issue are based on management estimates and have not been independently appraised.

Although some of our projects are appraised by multilateral agencies such as the Asian Development Bank and the World Bank, most of our funding requirements and the deployment of the net proceeds of the Fresh Issue are based on management estimates and have not been appraised by any bank or financial institution. We may have to revise our management estimates from time to time and consequently our funding requirements may also change. To the extent actual costs diverge from our estimates, we may have to reschedule or reallocate our project expenditure.

39. We are subject to inspections, which may result in investigations, proceedings and penalties.

We are periodically subject to inspections of our work sites and certain office locations, including our finance department, by the relevant authorities, including the vigilance wing of the GoI. Certain of these inspections have resulted in investigations and cases commenced against us or our employees. Going forward we will remain subject to similar inspections, investigations and cases. If one or more

of such inspections, investigations or cases leads to a significant award or penalty against us, our business may be adversely affected.

40. We have contingent liabilities not provided for under Indian Accounting Standards, which may adversely affect our financial condition.

As of June 30, 2007 the contingent liabilities not provided for appearing in our restated unconsolidated financial statements are as follows:

(Rs. in millions)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	June 30, 2007
Claims against the Company Not Acknowledged as Debt in respect of Arbitration/Court Cases	5,422.30	9,230.80	11,088.60	2,051.79	2,016.52
Land/Crop/Tree Compensation Cases	3,470.00	2,582.40	2,474.10	4,534.95	4,739.42
Others	2,144.00	2,331.70	1,895.40	255.41	270.84
Disputed Tax Demands -Income Tax	65.90	814.50	541.00	402.49	402.49
Disputed Tax Demands – Others	1,256.20	1,271.40	1,279.60	1,691.22	1,761.33
Continuity Bonds with Custom Authorities	9,086.50	7,753.80	9,435.40	9,815.40	8,207.30
Others	1,553.50	465.50	1,404.00	752.58	1,037.06
Total	**22,998.40**	**24,450.10**	**28,118.10**	**19,503.84**	**18,434.96**

41. We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.

We are involved in a number of legal proceedings that, if determined against us, could result in judgments against us.

A majority of these cases relate to claims for enhanced compensation by individuals whose land has been acquired by the state government on our behalf for the purpose of our substations and claims for enhanced compensation by individuals whose trees, crops or houses have been displaced due to the laying of our transmission lines. The total number of cases for enhancement of compensation for acquisition of land and displacement of trees, crops and houses and related claims pending against our Company is 608 and 2,472, respectively, and the total amount claimed in these cases aggregates to approximately Rs. 2,617.64 million and Rs. 3,087.56 million, respectively, plus any additional interest on the claimed amount. If we are required to make payments under any judgments, we would expect to be able to reclaim such amounts through our tariffs.

Further, there are certain disputes relating to annual transmission charges fixed by CERC pending before CERC, the Appellate Tribunal for Electricity, state High Courts or the Supreme Court, which have been initiated by the SPUs or our Company. The decisions of the adjudicating authority in these cases may have a significant impact on particular tariffs that may be charged by our Company.

There are eight criminal cases pending against the Company in which our employees are involved in an official capacity. Further, the Company has also received certain notices from statutory authorities. The total amount claimed against the Company in these matters is Rs. 20.01 million.

There is a one winding-up petition pending in the High Court of Delhi which was originally filed against National Thermal Power Corporation Limited, to which we have been subsequently made a party. The winding-up petition has been stayed by the High Court. The Company is also a party to certain public interest litigations and environmental litigation which have been filed in the Supreme Court or the state High Courts.

There are 98 cases relating to labour and service matters pending against our Company, which have been filed by employees of our Company, contract labourers employed by contractors for carrying out works in our Company and labour unions. These cases primarily relate to disputes regarding absorption of workmen by our Company, wrongful dismissal and reinstatement to service, matters relating to transfer, promotion and extension of service and claim for fitment benefits on absorption. The total amount of monetary claims against us aggregates to approximately Rs. 10.47 million.

Further, there are 66 disputes involving our Company which have been referred to arbitration. These disputes relate primarily to disputes under supply contracts executed by our Company. The total amount claimed against in these cases is approximately Rs. 465.1 million plus US $ 0.36 million and any interest that may be payable with respect to these claims.

In addition, there are 188 civil cases pending against the Company in which the total amount claimed against the Company is approximately Rs. 88.82 million. There are also certain tax claims pending against the Company comprising of income tax, service tax, sales, turnover tax, entry tax and agricultural tax claims initiated by the relevant authorities.

The state of Madhya Pradesh has issued a notification increasing the rate of the entry tax from one percent to five percent, effective in retrospect. Pursuant to the aforesaid notification the commercial tax department of the state of Madhya Pradesh served a notice on our Company demanding an explanation as to why we should not be assessed at the rate of five per cent instead of one percent for the purposes of entry tax. We have disputed the aforesaid demand notice and the notification before the High Court of Madhya Pradesh at Jabalpur (W.P.No. 14026/2006). However, we cannot give any assurance with respect to the outcome of the aforesaid dispute. A similar notification has been issued by the government of Chhattisgarh increasing the rate of entry tax. We have not yet received any demand notice from the commercial tax department of Chhattisgarh in respect of the aforesaid. We believe that the aforesaid notification is not applicable to us. However, in the event we were to receive any notice we would dispute the same before the appropriate forum.

For further details of the pending cases involving the Company, refer to the section entitled "Outstanding Litigation and Material Developments" at page 239 of this Red Herring Prospectus.

42. Our statutory auditors have qualified their audit reports in recent fiscal years.

Our statutory auditors included certain qualifications in their audit report on our financial statements. Those qualifications were as follows:

1. Appearing for Fiscal 2003 to Fiscal 2007

   The auditors have qualified under Manufacturing and Other Companies (Auditor's report)/Order, 1988 "MAOCARO"/ Companies Auditor's Report Order, 2003 "CARO" stating that the compliance and implementation of the Company's internal audit system needs to be further improved

2. Appearing for Fiscal 2003

   a. The company was involved in legal proceeding in respect of bonds issued and deposits placed during the Fiscal 1992 pursuant to a contract with Andhra Bank Financial Services Limited. The Management considered the deposit of Rs. 180.60 million as good and recoverable, however the auditors could not express an opinion on the same.

   b. The Company has been providing depreciation on fixed assets relating to transmission system since Fiscal 2002 at the rates notified for the purpose of recovery of tariff, by CERC which are different from the rates specified under the Companies

Act, 1956. Ministry of Power has issued tariff policy which states that rates of depreciation as notified by CERC would be applicable for the purpose of tariffs as well as for accounting.

Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present Tariff norms are considered appropriate for charging depreciation. In view of above, no adjustments has been carried out in respect of difference in depreciation rates adopted by the company and rates as prescribed in Schedule XIV to the Companies Act 1956.

3. Appearing Fiscal 2003 to Fiscal 2005

a. The restoration of deposits of Rs. 939.98 million relating to the CANFINA litigation resulted in an overstating of capital reserve and an understating of loan funds to this extent. In the auditors' opinion, the methodology of writing back the front-end fee, restoring the deposits and showing an external liability as a capital reserve was not correct.

b. The set-off of the maturity value of bonds of Rs. 157.67 million during the fiscal year 1999, against deposits with CANFINA resulted in an understatement of liabilities and current assets to this extent.

c. Consequent to 3(a) and 3(b) above, Rs. 782.33 million was lying as deposits with CANFINA, in respect of which, although the Company holds an ad hoc provision of Rs. 500 million towards final settlement of the matter, the auditors were unable to express an opinion as to the extent of recoverability.

The auditors stated that, pending settlement of the above matter, the resultant net effect on the accounts was not ascertainable. The matter has been settled by way of an agreement dated March 8, 2007 and suitable adjustments have been made in the restated accounts.

4. Appearing Fiscal 2003 to Fiscal 2005

Pending disposal of an appeal filed by the Company against CERC orders before the Honorable Delhi High Court, transmission income for the year was accounted for provisionally on the basis of tariffs as determined according to CERC norms, the consequential effect of which was not ascertainable.

5. Appearing Fiscal 2003 to Fiscal 2005

The GoI scheme implemented for the one-time settlement of amounts past due from the State Electricity Boards to the Company as at September 30, 2001 may result in the securitization of certain sundry debtors retrospectively as a result of the issue of bonds.

Except as stated in qualification I above, all the qualifications have been given effect to in the restated financials.

43. Some of our Subsidiaries and joint venture companies have incurred losses or have not made any profits

Our Subsidiaries are yet to commence commercial activity and therefore have not made any profits in the past. Further, our joint venture companies have not made any profits in the preceding three fiscal years. For further details, refer to the section entitled "History and Certain Corporate Matters" on page 101 of this Red Herring Prospectus.

44. We have entered into certain related party transactions

We have entered into certain related party transactions. For further details, refer to the section titled "Financial Statements - Related Party Transactions" on page 195 of this Red Herring Prospectus.

External Risks

We are an Indian company and all of our assets and customers are located in India. Consequently, our financial performance will be influenced by political, social and economic developments in India and in particular by the policies of the GoI.

1. A slowdown in economic growth in India could adversely impact our business.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices, protectionist efforts in other countries or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while the shares of the industrial, manufacturing and agricultural sectors are declining. Furthermore, significant shortages in the supply of crude oil or natural gas could adversely affect the Indian economy, which could adversely affect us. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy, or future volatility in global commodity prices, could adversely affect our business.

2. Significant shortages in the supply of crude oil, natural gas or coal could adversely affect the Indian economy and the power sector projects to which we have exposure, which could adversely affect us.

India imports approximately 75% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Any significant increase in oil prices could affect the Indian economy, including by adding to inflationary pressures. Additionally, increases in oil prices may have a significant impact on the cost of generating powers in India. As a result, there could be indirect adverse effects on our business, our ability to implement our strategy and the price of our Equity Shares.

Natural gas is a significant input for power generation projects. Natural gas prices have been volatile in recent periods. India has experienced interruptions in the availability of natural gas, which has caused difficulties for power generation projects. Continued difficulties in obtaining reliable, timely supplies of natural gas could result in indirect adverse effects on our business, our ability to implement our strategy and the price of our Equity Shares.

The Indian power generation sector has been suffering generation losses due to shortages of coal. Continued difficulties in obtaining reliable, timely supplies of coal could result in indirect adverse effects on our business, our ability to implement our strategy and the price of our Equity Shares.

3. Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central

government, which came to power in May 2004, is a coalition of several political parties. Although, the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities could change as well. Any major change in government policies might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalization policies have been a major force in encouraging private funding of power sector development, any change in these policies could have a significant impact on power sector development, business and economic conditions in India, which could adversely affect our business, our future financial performance and the price of our Equity Shares.

4. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

5. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during Fiscal 2003, the agricultural and allied sector recorded a negative growth of 6.9%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Furthermore, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

6. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing may be available. This could have an adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our Equity Shares.

7. After the Issue, the price of Equity Shares may be highly volatile, or an active trading market for the Equity Shares may not develop.

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; performance of our competitors; the perception in the market with respect to investments in our industry sector; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's fiscal regulations. There has been no public market

for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

8. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

Following the Issue, we will be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

9. You will not be able to immediately sell any of the Equity Shares you purchase in this Issue on the Stock Exchanges.

Under the SEBI Guidelines, we are permitted to allot equity shares within 15 days of the closure of the public issue. Consequently, the Equity Shares you purchase in this Issue may not be credited to your book or demat account, with Depository Participants within 15 days of the closure of the public issue. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges.

Furthermore, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

10. There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares.

Notes to Risk Factors:

- Public issue of 573,932,895 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million comprising a Fresh Issue of 382,621,930 Equity Shares by our Company and an Offer for Sale of 191,310,965 Equity Shares by the Selling Shareholder. The Issue would constitute approximately 13.64% of the fully diluted post Issue paid-up capital of our Company.
- The net worth of our Company before the Issue as of June 30, 2007 was Rs. 111,543.92 million.
- The book value per Equity Share as of June 30, 2007 was Rs. 29.15 per Equity Share.
- Our Promoter, the President of India holds 100% of our paid-up share capital. The average cost of acquisition per Equity Share by the Promoter, which includes the cost of assets for the Equity Shares issued against the transfer of assets, is Rs. 10 (originally allotted at face value of Rs. 1,000 each).
- Investors are advised to refer to our financial statements relating to related party transactions in the section titled "Financial Statements- Statement of Related Party Transactions" beginning on page 195 of this Red Herring Prospectus.
- Investors may contact the BRLMs and the Compliance Officer, for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 43 of this Red Herring Prospectus.
- Under subscription in the Issue in any category, except in the QIB Portion, will be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs. If at least 50% of the Net Issue is not subscribed to by QIBs, the entire application money will be refunded forthwith.
- In case of over-subscription in all categories, at least 50% of the Net Issue shall be Allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation to Mutual Funds and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 13,978,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price.
- Except, as disclosed in the section titled "Capital Structure" beginning on page 23 of this Red Herring Prospectus, neither the President of India who is our Promoter, nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.
- Except, as disclosed in the section titled "Our Management" beginning on page 120 of this Red Herring Prospectus, none of our Directors or key managerial personnel have any interest, other than reimbursement of expenses incurred or normal remuneration or benefits.
- Trading in Equity Shares for all investors shall be in dematerialised form only.

SUMMARY

OVERVIEW

We are India's principal electric power transmission company. We own and operate most of India's interstate and inter-regional electric power transmission system (the "ISTS"). In that capacity, as at June 30, 2007 we owned and operated 61,875 circuit kilometres of electrical transmission lines and 106 electrical substations. In Fiscal 2007, we transmitted approximately 298 billion units of electricity, representing approximately 45% of all the power generated in India *(Source: CEA Website, March 2007*).

We commenced our operations in Fiscal 1992 as part of an initiative of the Government of India to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us over the following years. For more details of our history, please refer to the section entitled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

We have since completed 101 transmission projects and schemes on our own, valued in the aggregate at approximately Rs. 251.81 billion. As at June 30, 2007, we had 45 transmission projects in various stages of implementation. Subject to government approvals, we plan to spend Rs. 550 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,000 MW, which would include our transmission system and others. The tariffs for our transmission projects are determined by CERC, pursuant to Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

We have also been entrusted by the GoI with the statutory role of Central Transmission Utility ("CTU"). In this role, we operate as one of the chief agencies responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate the provision to customers of non-discriminatory open access to available capacity in interstate and inter-regional transmission networks, including our own.

A crucial aspect of the operation of an electric power system is the management of the power flow in real time ("load despatch") with reliability and security on a sound commercial and economical basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("RLDCs") in each of the five regions into which India is divided for purposes of power transmission and regulation. As RLDC operator, we have modernised the regional and state load despatch centres and their communication networks, down to the level of individual substations. We undertook and completed this work under our ULDC ("Unified Load Despatch and Communication") Project. In order to optimise the monitoring and despatch of electricity flows at the national level, we are currently establishing a National Load Despatch Centre ("NLDC"), which we expect to complete in 2008. Presently, we are managing the National Grid with inter regional capacity of 14,100 MW, which shall be enhanced to more than 37,000 MW by 2012 *(Source: CEA Website, March 2007*).

We have taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. We developed the 2,000 MW Tala Transmission Project through a joint venture company (Powerlinks Transmission Limited) with 49% shareholding by us and 51% shareholding by The Tata Power Company Limited. We currently hold a 26% equity stake in Torrent Powergrid Limited and a 20.63% equity stake in Jaypee Powergrid Limited both of which are public-private joint ventures established for the development of dedicated private transmission lines. Our respective partners in these ventures are Torrent Power Limited and Jaiprakash Hydro-Power Limited.

Leveraging on our strengths, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to more than 90 clients in over 225 domestic and international projects. In our consultancy role, we also facilitate the implementation of various GoI-funded projects for the distribution of electricity to end-users, such as the Accelerated Power Development and Reform Programme ("APDRP") in urban and semi-urban areas and the Rajiv Gandhi Grameen Vidhyutikaran Yojana (the "RGGVY") in rural areas.

We have also diversified into the telecommunications business, by creating a telecommunications network principally using our overhead transmission infrastructure. We own and operate a fibre-optic cable network that as at June 30, 2007 was over 19,000 kilometres long and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.

In Fiscal 2007 we generated a total income of Rs. 40,823.09 million and profit after tax of Rs. 10,876.58 million. In Fiscal 2007, transmission and transmission-related activities constituted 80.51% of our total income, with the balance coming from our consulting, telecommunication businesses and other incomes. In the three months ended June 30, 2007, we generated a total income of Rs. 10,509.33 million and profit after tax of Rs. 4,539.15 million. Our transmission and transmission related activities constituted 84.15% of our total income for the quarter ended June 30, 2007.

We have been designated a Mini-Ratna Category-I public sector undertaking since October 1998, which provides us with a greater delegation of powers to undertake new projects without Government approval, subject to an investment ceiling set by the Government. We have received the highest annual performance rating from the GoI in each year since Fiscal 1994, and the Prime Minister's award for performance for six out of the seven years to Fiscal 2006, (award winners for 2007 have not yet been determined). We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems.

The President of India, acting through nominees, currently holds 100% of the issued and paid-up equity capital of our Company. After the Issue, the President of India will continue to hold 86.36% of the diluted post-Issue paid-up equity capital of our Company. The GoI has the power to appoint all of our Directors.

We seek to operate our transmission system at high levels of efficiency. In Fiscal 2007, we maintained a system availability rate of 99.20%. In the three months ended June 30, 2007, our system availability rate was 99.52%. We have had no major grid disturbances since January 2003. The following table presents certain company-wide operating parameters for the periods indicated:

	Fiscal				For the three months ended June 30,
Particulars	**2004**	**2005**	**2006**	**2007**	**2007**
Transmission Network (circuit kilometres)	47.757	50,745	55,120	59,461	61,875
Substations (number)	82	85	93	104	106
Transformation Capacity (MVA)	46,461	49,442	54,377	59,417	61307
System Availability (%)	99.30	99.74	99.64	99.20	99.52

OUR STRENGTHS

We believe that the following are our principal business strengths:

Leadership position in Indian power transmission sector

We are India's principal electric power transmission company. We own and operate most of India's ISTS. In that capacity, as at June 30, 2007 we owned and operated 61,875 circuit kilometres of electrical transmission lines and 106 electrical substations. In Fiscal 2007, we transmitted approximately 298 billion units of electricity, representing approximately 45% of all the power generated in India. We currently develop most of the transmission projects associated with the Central Sector generation projects.

High operational efficiencies

We have maintained an average system availability of over 99% since fiscal 2002 and we have not had a major grid disturbance since January 2003. In order to ensure high rates of availability for our transmission systems, we monitor and maintain our infrastructure using modern techniques and technologies. Our levels of system availability allow us to earn additional income under certain incentive mechanisms built into our tariff structures. Since Fiscal 1994, we have been rated "excellent" by the GoI on an annual basis as a result of our achievement of performance targets set for us in memoranda of understanding that we agree periodically with the GoI. We have also won the Prime Minister's award for excellence in MOU performance for six out of the last seven years to Fiscal 2006, (award winners for 2007 have not yet been determined).

Established track record in expanding transmission systems

We have extensive experience and expertise in implementing new transmission projects and expanding India's transmission systems. During the eighth, ninth and tenth five year plans, we have added 9,724 circuit kilometres, 12,436 circuit kilometres and 19,172 circuit kilometres of transmission lines and 17, 14 and 36 sub-stations, respectively. During the tenth plan, we undertook 11 transmission projects associated with generation projects; 33 grid strengthening projects, two inter-regional system strengthening projects and three ULDC projects.

Our capabilities in this regard encompass all facets of transmission activities, from the conceptualizing to the commissioning of projects. We contract out the construction of our projects subject to our supervision and quality control. Our implementation abilities have also been recognized by the World Bank because of our success in achieving all development objectives of certain projects funded by them. We believe that our experience and expertise in project implementation will serve us well as we undertake substantial expansion in the coming years in furtherance of the GoI's Eleventh Five Year Plan.

Low operational risks in our core business

Many aspects of our core transmission business are characterised by low levels of risk. Our transmission tariffs are presently determined on a cost-plus basis and are intended to provide us with a 14% return on equity. Further, we have no direct competitors of significant size for our transmission business.

Diversified business portfolio

Because of our established track record and technical expertise, we have acted as a consultant on numerous domestic and international transmission- and distribution-related projects. We have also leveraged our nationwide transmission system to create a fibre-optic telecommunication cable network that as at March 31, 2007 consisted of over 19,000 kilometres and connected over 60 Indian cities, including all major metropolitan areas. In July 2006, we have also received a license to provide telecommunication services to end users and are currently exploring options for providing services to the end users. Revenues from our consultancy and telecommunications business accounted for 7.44%, 5.43% and 5.48% of our total income in Fiscal 2007, 2006 and 2005 respectively. For the three

months ended June 30, 2007, our revenues from our consultancy and telecommunications business accounted for 8. 70% of our total income.

Strong financial position

We have a strong financial position, which we believe will help us finance our expansion plans in the coming years. Since Fiscal 2001, our domestic bonds have been given the highest credit rating, AAA, by CRISIL and the rating LAAA by ICRA. As at June 30, 2007, our debt-equity ratio was 1.81:1. Our projects have also been regularly funded by loans from the World Bank and the Asian Development Bank.

Government support

We are wholly owned by the GoI and we occupy a key position in plans for the growth and development of the Indian power sector. Our planned transmission system investments have risen from Rs. 213.70 billion in the Tenth Five Year Plan, which ended on March 31, 2007, to Rs. 550 billion (subject to government approvals) in the Eleventh Five Year Plan, which commenced on April 1, 2007. We have been designated a Mini-Ratna Category-I public sector undertaking since October 1998. This designation is based on a government assessment of our skill and reliability as an institution, and empowers our Board to give final investment approval for our own transmission projects of up to Rs. Five billion per project. Our ownership by the GoI facilitates the expediting of various approvals and support from various government agencies and bodies.

Skilled and experienced senior management team

Our senior management team is well qualified and experienced. We believe that our senior management's quality has played a key role in the growth of our business and in the development of our corporate governance methods, internal controls and accounting policies. In addition, the skills and diversity of our senior management team give us flexibility to respond to changes in the business environment.

Competent and committed workforce

We have been successful in attracting and retaining experienced staff in various areas, including operations, project management, engineering, technology, finance, human resources and law. We believe we have an employee team with a strong blend of experience and energy. We provide our employees with extensive in-house and external training opportunities.

OUR STRATEGY

Expand and strengthen our transmission network

The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,000 MW, which would include our transmission system and others. This would almost triple India's inter-regional transmission capacity within five years. We plan to invest Rs. 550 billion on transmission infrastructure during this five-year period, subject to government approvals. This includes 45 projects currently that we are currently implementing, which would increase our transmission lines by 30,536 circuit kilometres and transformation capacity by 29,420 MVA.

Maintain efficient operating performance

We intend to maintain transmission availability above 99%, optimise our operating costs, incorporate more energy-efficient technologies and minimize transmission losses. We intend to modernise our infrastructure and invest in advanced equipment and methods. We believe that our focus on

modernising our transmission infrastructure and maintenance practices will increase the useful life of our systems, improve their operating performance and raise the efficiency of our capital expenditure.

Develop strong vendor network

We plan to invest Rs. 550 billion on transmission infrastructure during the five-year period through March 31, 2012, subject to government approvals. We expect to be aided in our investment plans by the pool of contractors and vendors that we have actively developed over the years. As most of the projects undertaken by us are executed by contractors and suppliers, we intend to further strengthen our vendor base in order to ensure that we have access to a sufficiently large base of vendors to achieve our expansion plans.

Take advantage of diversification opportunities

We plan to continue diversifying our business when opportunities are created by regulatory and economic reforms. We intend to continue to provide consulting services in both the domestic and international markets. We may seek to diversify our business by operating the transmission facilities of others on a concession basis and recently submitted an Expression of Interest in respect of the privatization by way of concession of the facilities and assets of the National Transmission Corporation of the Philippines. We intend to strengthen our telecommunication infrastructure by providing last mile connectivity to telecom operator customers. We also intend to participate more in the power distribution sector, especially in the APDRP and the RGGVY. We believe that business diversification initiatives will help us continue to improve our income and margin growth and help leverage our existing capabilities.

Emphasis on research and development

We intend to continue to engage in research and development to improve the performance of our transmission and telecommunication infrastructure and incorporate new technologies. We are in the process of establishing a "Centre for Power Transmission Research and Application", which will supplement the facilities of existing research institutions and provide additional opportunities for applied research in the power transmission sector. We believe that our emphasis on research and development will help us continue to improve our infrastructure and services.

Continue to invest in employee development

We intend to continue developing the capabilities of our employees through performance management systems, by recognising and rewarding employee performance and by strengthening our operational values among our employees. We intend to continue to provide training to our employees at various stages in their careers, in order to familiarise them with technological advances and up-to-date operational and management practices. We believe that our continuing initiatives will further enhance the capabilities and productivity of our employees and strengthen our position as a preferred employer.

Continue to collaborate with Customers

We intend to continue our collaboration and assistance to our key customers, the state electricity boards with a focus on upgrading their sub-transmission and distribution network. We enter into active discussions with the clients prior to implementing projects for customers such as SEBs and power generation companies to understand requirements and cater to specific needs of the customers.

Through various initiatives such as organizing workshops and training the SEB personnel, we also continue to actively engage with our clients and share our experience and expertise in areas of our core competence and strive to strengthen our position as a key supplier to the SEBs.

THE ISSUE

Issue:	Up to 573,932,895 Equity Shares.
Which comprises:	
Fresh Issue:	Up to 382,621,930 Equity Shares
Offer for Sale:	Up to 191,310,965 Equity Shares
Of which:	
Employee Reservation Portion:	Up to 13,978,000 Equity Shares.
Net Issue:	Up to 559,954,895 Equity Shares.
Of which:	
Qualified Institutional Buyers Portion:	At least 279,977,448 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 13,998,872 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 265,978,575 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	Not less than 83,993,234 Equity Shares (available for allocation on proportionate basis).
Retail Portion:	Not less than 195,984,213 Equity Shares (available for allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	3,826,219,300 Equity Shares.
Equity Shares outstanding post the Issue:	4,208,841,230 Equity Shares.
Objects of the Issue:	For details of the Objects of the Fresh Issue, see the section titled "Objects of the Issue" beginning on page 35 of this Red Herring Prospectus. Our Company will not receive any proceeds from the Offer for Sale.

Under subscription, if any, in any portion, except in the QIB Portion, would be met with spill-over from other portions at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs. If at least 50% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our selected historical financial information derived from the audited and restated unconsolidated financial statements for the quarter ended June 30, 2007 and for the fiscal years ended March 31, 2007, 2006, 2005, 2004, 2003. The restated unconsolidated summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 207 of this Red Herring Prospectus.

RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(Rs. in million)

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A.	**Fixed Assets**						
	Gross Block	3,03,911.71	2,90,146.24	2,48,882.54	2,18,841.32	1,98,742.66	1,88,595.31
	Less:Depreciation	74,203.63	71,985.56	63,720.04	56,284.80	49,894.74	43,409.46
	Net Block	**2,29,708.08**	**2,18,160.68**	**1,85,162.50**	**1,62,556.52**	**1,48,847.92**	**1,45,185.85**
	Capital Work-in-Progress	59,445.26	60,838.94	36,504.25	35,758.04	22,499.44	17,117.88
	Construction Stores and Advances	34,260.37	33,715.41	27,651.76	14,631.74	16,401.19	8,957.92
	Net Block	**3,23,413.71**	**3,12,715.03**	**2,49,318.51**	**2,12,946.30**	**1,87,748.55**	**1,71,261.65**
B.	**Investments**	**19,088.16**	**19,670.05**	**21,394.11**	**20,292.10**	**19,979.24**	**18,837.11**
C.	**Current Assets ,Loans & Advances**						
	Inventories	1,891.27	1,841.28	1,802.39	1,842.65	1,968.66	1,606.91
	Sundry Debtors	5,250.97	4,904.00	4,403.45	5,713.38	4,777.29	2,581.97
	Cash and Bank balances	12,479.50	11,968.19	5,890.47	6,039.72	7,754.47	1,183.60
	Other Current Assets	1,043.97	1,470.28	1,554.38	1,785.18	3,328.63	3,049.52
	Loans and Advances	15,370.70	14,912.61	15,940.58	13,254.79	13,308.61	12,847.71
	Total current assets	**36,036.41**	**35,096.36**	**29,591.27**	**28,635.72**	**31,137.66**	**21,269.71**
	Total Assets	**3,78,538.28**	**3,67,481.44**	**3,00,303.89**	**2,61,874.12**	**2,38,865.45**	**2,11,368.47**
	Liabilities and Provisions						
D	**Loan Funds**						
	Secured Funds	1,82,569.74	1,72,477.20	1,29,461.37	1,10,017.53	1,04,533.76	80,126.79
	Unsecured Funds	19,746.18	20,777.76	20,799.88	23,862.91	18,130.02	34,306.04
E	**Current Liabilities & Provisions**						

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
	Current Liabilities	35,153.25	40,020.85	31,761.72	24,652.56	20,710.14	14,753.91
	Provisions	9,303.10	8,333.72	5,474.79	3,428.29	3,650.70	2,246.23
F.	**Deferred Tax Liability (Net)**	**4,485.04**	**4,193.34**	**3,125.46**	**2,427.05**	**1,973.78**	**1,866.81**
G.	**Advance Against Depreciation**	**13,136.76**	**12,011.73**	**8,222.33**	**6,103.27**	**3,953.41**	**2,091.17**
H.	**Grant In Aid**	**2,600.29**	**2,644.46**	**2,729.55**	**2,902.17**	**2,975.06**	**3,352.00**
	Development Surcharge	**0.00**	**0.00**	**0.00**	**0.00**	**1,952.32**	**0.00**
	Total Liabilities	**2,66,994.36**	**2,60,459.06**	**2,01,575.10**	**1,73,393.78**	**1,57,879.19**	**1,38,742.95**
	Net Worth	**1,11,543.92**	**1,07,022.38**	**98,728.79**	**88,480.34**	**80,986.26**	**72,625.52**
	Represented by:						
I.	Share Capital	38,262.19	38,262.19	36,234.41	32,040.61	30,740.61	30,740.61
	Reserves and Surplus	73,296.27	68,763.41	62,494.38	56,440.64	50,246.56	41,434.92
	LESS:-						
J	**Miscellaneous Expenditure**	**14.54**	**3.22**	**0.00**	**0.91**	**0.91**	**-449.99**
	(to the extent not written off or adjusted)						
	Net Worth	**1,11,543.92**	**1,07,022.38**	**98,728.79**	**88,480.34**	**80,986.26**	**72,625.52**
	Contingent Liabilities	18,434.96	19,503.84	28,118.10	24,450.10	22,998.40	24,775.10

SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
INCOME						
Revenue from Operations	9,754.67	35,898.50	31,453.40	25,130.71	22,630.33	20,135.44
Provision written back	28.47	1,334.33	679.35	12.42	1,728.91	0.00
Sale of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.50
Other Income	726.19	3,590.26	3,410.39	3,169.71	3,698.26	3,927.42
TOTAL	**10,509.33**	**40,823.09**	**35,543.14**	**28,312.84**	**28,057.50**	**25,327.36**
EXPENDITURE						
Employees' Remuneration & Benefits	1,064.98	3,388.76	2,568.10	2,271.82	2,352.92	1,864.08
Transmission, Administration and Other Expenses	620.98	2,917.73	2,223.54	1,973.19	1,849.50	1,505.41
Purchase of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.25
Depreciation	2,254.13	8,275.81	7,443.25	6,422.58	6,064.20	4,625.92

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Provisions	0.00	27.40	1,327.66	655.84	179.81	1,396.01
Interest and Finance Charges	1,127.69	11,404.22	9,474.55	8,086.84	9,909.60	7,004.04
Deferred Revenue Expenditure written Off	13.54	81.95	88.65	93.11	138.45	11.15
TOTAL	**5,081.32**	**26,095.87**	**23,125.75**	**19,503.38**	**20,494.48**	**17,670.86**
Profit for the year before tax, Prior period Adjustments	**5,428.01**	**14,727.22**	**12,417.39**	**8,809.46**	**7,563.02**	**7,656.50**
Less: Prior Period Expenditure/(Income) (Net)	3.05	-92.81	727.36	-274.29	420.07	138.06
Profit Before Tax	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
Less: Provision for Taxation-						
- Current Year	592.19	1,340.64	849.43	625.33	262.99	713.99
- Earlier Years	0.00	0.26	-17.85	22.77	-96.57	-9.80
Provisions for Fringe Benefit Tax-						
- Current Year	19.26	86.85	77.46	0.00	0.00	0.00
- Earlier Years	0.00	0.35	0.00	0.00	0.00	0.00
Profit after Current Tax	**4,813.51**	**13,391.93**	**10,780.99**	**8,435.65**	**6,976.53**	**6,814.25**
Less: Provision for Deferred Tax						
- Current Year	291.70	1,067.88	691.64	447.73	0.00	388.30
- Earlier Years	0.00	30.34	0.00	132.64	-505.51	0.00
Profit after Tax as per audited statement of accounts (A)	**4,521.81**	**12,293.71**	**10,089.35**	**7,855.28**	**7,482.04**	**6,425.95**
Adjustment on account of						
Changes in accounting policies	13.54	81.94	88.65	93.11	290.24	142.76
Impact of material adjustment	0.75	-1,434.55	-1,478.49	626.01	1,657.16	-411.15
Prior period items	3.05	-95.47	839.34	-426.47	1,516.16	-263.89
MAT & Deferred Tax Adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
Total Adjustments (B)	**17.34**	**-1,417.13**	**-575.74**	**442.53**	**2,749.54**	**-155.32**
Adjusted Profit (A+B)	**4,539.15**	**10,876.58**	**9,513.61**	**8,297.81**	**10,231.58**	**6,270.63**

Annexure – III

CASH FLOW STATEMENT FROM THE RESTATED FINANCIAL STATEMENTS

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A. CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before tax – as reported	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
Add : Total adjustments for restatement	17.34	-1,417.13	-575.74	442.53	2,749.54	-155.32
Less : Tax adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
Net profit before tax – as restated	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**
Adjustment for :						
Depreciation (including prior period)	2256.50	8,227.15	7,515.92	6,421.31	6,070.27	4,699.88
Transfer from Grants in Aid	-44.17	-215.72	-172.62	-175.10	-163.14	-115.64
Adjustment against General Reserve	0.00	-326.66	940.00	0.00	28.84	-150.81
Amortised Expenditure(DRE written off)	0.00	-0.02	0.00	0.00	0.00	170.86
Provisions	-28.52	3.03	-662.50	643.68	-1,549.10	1,395.79
Self Insurance	-6.19	0.00	-8.61	-10.86	141.98	149.12
Interest paid on loans	1127.69	11,404.23	9,474.56	8,086.84	9,909.59	7,004.04
Interest earned on bonds	-384.49	-1,732.37	-2,204.80	-1,786.19	-2,650.67	-841.55
Dividend received	0.00	-12.00	-9.60	-9.60	0.00	-15.82
Operating profit before Working Capital Changes	**8363.12**	**30,719.59**	**26,011.88**	**22,546.48**	**22,394.28**	**19,282.03**
Adjustment for :						
Trade and other Receivables	806.23	3,296.04	3,607.27	627.57	659.58	520.45
Inventories	-49.99	-38.92	40.34	125.36	-361.66	99.92
Trade payables and other liabilities	-4509.72	9,177.80	6,866.14	3,410.29	6,246.52	-2,472.01
Other current assets	426.33	84.09	230.80	1,408.10	645.56	-2,067.80
Loans and Advances	-406.55	1468.50	-45.71	394.40	-929.48	1177.76
Deferred Revenue Expenditure	-11.30	-3.22	0.91	0.00	-26.19	-31.45
	-3745.00	**13,984.29**	**10,699.75**	**5,965.72**	**6,234.33**	**-2,773.13**
Interest Paid	0.00	0.00	0.00	0.00	0.00	-1.40
Direct taxes paid (including FBT)	-300.00	-1,245.36	-841.58	-560.00	-270.00	-679.00
Net Cash from operating activities - A	**4,318.12**	**43,458.52**	**35,870.05**	**27,952.20**	**28,358.61**	**15,828.50**
Fixed assets	844.52	-1,099.85	-495.75	-1,270.16	1,398.66	-1,660.14
Capital work in progress	-13254.72	-64,459.19	-30,377.27	-32,120.01	-16,937.15	-30,610.79
Advance for Capital expenditure	-544.97	-6,049.39	-13,019.49	1,723.62	-7,442.47	13,433.11
Investments in Bonds and Others	581.89	1,960.02	0.50	0.00	-499.50	-0.50
Investments in Joint Ventures	0.00	-235.96	-1,102.51	-312.86	-642.63	0.00
Lease Receivables	248.80	779.35	-2,249.95	210.12	34.10	-6,994.80
Interest earned on bonds	384.49	1,732.37	2,204.80	1,786.19	2,650.67	841.55

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Dividend received	0.00	12.00	9.60	9.60	0.00	15.82
Net cash used in investing activities - B	**-11,739.99**	**-67,360.65**	**-45,030.07**	**-29,973.50**	**-21,438.32**	**-24,975.75**
C. CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issue of Share Capital	0.00	2,027.78	4,193.80	1,300.00	0.00	62.50
Loans raised during the year	11,244.89	59,385.30	36,089.65	19,084.50	32,741.30	26,426.10
Loans repaid during the year	-2,184.02	-16,391.60	-19,708.85	-7,867.90	-24,510.28	-11,228.43
Development Surcharge received	0.00	0.00	0.00	-1,952.32	1,952.30	0.00
Proceeds from Grants in Aid	0.00	130.60	0.00	52.17	501.85	1,118.45
Adjustment of Grant	0.00	0.00	0.00	50.06	-715.65	0.00
Interest Paid	-1,127.69	-11,404.23	-9,474.55	-8,086.84	-9,909.59	-7,002.64
Dividend paid	0.00	-3,304.50	-1,832.30	-2,130.00	-500.00	-1,006.64
Dividend Tax paid	0.00	-463.50	-256.98	-278.36	-64.06	0.00
Net Cash from Financing Activities - C	**7,933.18**	**29,979.85**	**9,010.77**	**171.31**	**-504.13**	**8,369.34**
D. Net change in Cash and Cash equivalents(A+B+C)	**511.31**	**6077.72**	**-149.25**	**-1,849.99**	**6,416.16**	**-777.91**
E. Cash and Cash equivalents(Opening balance)	**11,968.19**	**5,890.47**	**6,039.72**	**7,889.71**	**1,473.55**	**2,251.46**
F. Cash and Cash equivalents(Closing balance)	**12,479.50**	**11,968.19**	**5,890.47**	**6,039.72**	**(*)7,889.71**	**(*)1,473.55**
(*)Cash and Cash equivalents at the end of the year includes balance in PD accounts.					135.24	289.95

GENERAL INFORMATION

Registered Office of our Company

Power Grid Corporation of India Limited
B-9, Qutab Institutional Area,
Katwaria Sarai,
New Delhi 110 016

Corporate Office of our Company

"Saudamini", Plot No. 2, Sector 29,
Gurgaon 122 001
Registration Number: 55-38121
Company Identification Number: **U40101DL1989GOI038121**
Website: www.powergridindia.com

Our Company is registered at the office of the Registrar of Companies, National Capital Territory of Delhi and Haryana, located at Paryavaran Bhawan, Block B, 2nd Floor, CGO Complex, Lodhi Road, New Delhi 110 003.

Board of Directors

The following persons constitute our Board of Directors:

1. Dr. R.P. Singh (Chairman and Managing Director);
2. Mr. S. Majumdar (Whole time Director);
3. Mr. J. Sridharan (Whole time Director);
4. Mr. G.B. Pradhan (Government nominee Director);
5. Mr. Rajesh Verma(Government nominee Director);
6. Dr. P. K. Shetty (Independent Director);
7. Mr. M. S. Kapur (Independent Director);
8. Prof. A. S. Narag (Independent Director);
9. Mr. Anil K. Agarwal (Independent Director); and
10. Mr. F. A. Vandrevala (Independent Director)

For further details of our Chairman and Managing Director and other Directors, see the section titled "Our Management" beginning on page 120 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Ms. Divya Tandon,
"Saudamini", Plot No.2, Sector 29,
Gurgaon 122 001
Tel: +91 (124) 2571 968
Fax: +91 (124) 2571 891
E-mail: investors@powergridindia.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refund orders, etc.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021
Tel: +91 (22) 6634 1100
Fax: +91 (22) 2284 0492
Email: pgc.ipo@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar
Nariman Point,
Mumbai 400 021
Tel: +91 (22) 6631 9999
Fax: +91 (22) 6631 9803 / 6646 6192
Email: pgcil.ipo@citigroup.com
Website: www.citibank.co.in
Contact Person: Mr. Shitij Kale

ENAM Securities Private Limited
801, Dalamal Towers,
Nariman Point, Mumbai 400 021
Tel: +91 (22) 6638 1800
Fax: +91 (22) 2284 6824
Email: pgc.ipo@enam.com
Website: www.enam.com
Contact Person: Ms. Lakha Nair

Domestic Legal Advisors to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers,
216, Okhla Industrial Estate, Phase – III,
New Delhi 110 020
Tel.: +91 (11) 2692 0500
Fax: +91 (11) 2692 4900

Domestic Legal Advisors to the Underwriters

J. Sagar Associates
84E, Lane C-6, Central Avenue, Sainik Farms,
New Delhi 110 062
Tel: + 91 (11) 2955 2714
Fax: + 91 (11) 2955 2717

International Legal Counsel to the Issue

Dorsey & Whitney LLP
21, Wilson Street,
London, EC2M 2TD,
England
Tel: +44 (20) 7588 0800
Fax: +44 (20) 7588 0555

Syndicate Member

Kotak Securities Limited
Bakhtawar, 1st Floor,
229, Nariman Point,
Mumbai 400 021, India.
Tel: +91 (22) 6634 1100
Fax: +91 (22) 6630 3927
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta

Bankers to the Company

Indian Overseas Bank
Jeevan Deep Building, 10 Parliament Street
New Delhi 110 001
Tel : +91 (11) 2334 1421
Fax: +91 (11) 2334 8928
E-mail : parlibr@delirc01.iobnet.co.in

Punjab National Bank
ECE House, 28A, K.G. Marg,
New Delhi 110 001
Tel : +91 (11) 2332 3357
Fax: +91 (11) 2331 8570
E-mail : pnbecehouse@hotmail.com

IDBI Bank
Corporate Banking 12th Floor
IFCI Tower, 61 Nehru Place,
New Delhi 110 019
Tel : +91 (11) 4130 6641
Fax: +91 (11) 4130 6650
E-mail : jaiprakash_nathaniel@idbibank.com

Bank of Baroda
Madhuban 55, Nehru Place,
New Delhi 110 019
Tel : +91 (11) 2629 3843
Fax: +91 (11) 2646 3657
E-mail : nehrup@bankofbaroda.com

Canara Bank
No.1 DDA Building, Nehru Place,
New Delhi 110 019
Tel : +91 (11) 2643 9215
Fax: +91 (11) 2647 5955
E-mail : delhi0390@canbank.co.in

State Bank of India, CAG Branch
Jawahar Vyapar Bhawan, 12th Floor,
1, Tolstoy Marg, New Delhi 110 001
Tel : +91 (11) 2335 2810
Fax: +91 (11) 2335 3101
E-mail : sharad.agarwal@sbi.co.in

Union Bank of India
73-74 Sheetla House, Nehru Place,
New Delhi 110 019
Tel : +91 (11) 2641 2541
Fax: +91(11) 2621 6937
E-mail : nehruplace@unionbankofindia.com

State Bank of Hyderabad
16 Kundan House, Nehru Place,
New Delhi 110 019
Tel : +91 (11) 2647 0229
Fax: +91 (11) 2644 3374
E-mail : sbhnpnd@vsnl.net.in

Indian Bank
Mehrauli Institutional Area Branch,
No. 7, Shaheed Jeet Singh Marg,
New Delhi-110 016
Tel : +91 (11) 2685 7001
Fax: +91 (11) 2685 0578
E-mail : mehrauliroad@indianbank.co.in

ICICI Bank Limited
9A Phelps Building, Connaught Place,
New Delhi 110 001
Tel : +91 (11) 42218373
Fax: +91 (11) 2436 5231
E-mail : m.jain@icibank.com

State Bank of Travancore
R.K. Puram, Ansal Chamber 1,
3, Bhikaji Cama Place,
New Delhi 110 066
Tel : +91 (11) 2616 5282
Fax: +91 (11) 2618 4785
E-mail : rkpuram@sbt.co.in

Dena Bank
53/54, Goverdhan Building,
Nehru Place,
New Delhi 110 019
Tel : +91 (11) 2648 5887
Fax: +91 (11) 2647 9877
E-mail : nehrup@denabank.com

Vijaya Bank
31/C, DDA Complex,
Defence Colony,
New Delhi 110 024
Tel : +91(11) 2461 5765
Fax: +91 (11) 2462 3775
E-mail : del.defencecolony6005@vijayabank.co.in

Jammu & Kashmir Bank
G-40 Connaught Place,
New Delhi 110 001
Tel : +91(11) 2335 0652
Fax: +91 (11) 2335 2102
E-mail : circus@jkmail.com

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17-24,
Vithalrao Nagar Madhapur,
Hyderabad 500 081
Tel: +91 800 345 4001
Fax: +91 (40) 2342 0814
Email: einward.ris@karvy.com
Webistie: www.karvy.com
Contact Person: Mr. M Murali

Bankers to the Issue and Escrow Collection Banks

ABN AMRO Bank
Brady House, 14 Veer Nariman Road,
Hornimon Circle, Fort,
Mumbai 400 001
Tel: +91 22 6658 5858/5817
Fax: +91 22 2284 1234
Email: akhouri.malay@in.abnamro.com
Website: www.abnamro.com
Contact Person: Mr. Malay Akhouri

Standard Chartered Bank,
270, D.N. Road,
Fort, Mumbai 400 001
Tel: +91 22 2268 3965
Fax: +91 22 2209 6069
Email: rajesh.malwade@in.standardchartered.com
Website: www.standardchartered.com
Contact Person: Mr. Rajesh Malwade

ICICI Bank Limited,
Capital Market Division,
30, Mumbai Samachar Marg,
Fort, Mumbai 400 001
Tel: +91 22 2262 7600
Fax: +91 22 2261 1138

Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

Union Bank of India,
Shaheed Bhagat Singh Place,
Bangla Sahib Marg,
Gole Market,
New Delhi 110 001
Tel: +91 11 2374 7702, 2334 0657
Fax: +91 11 2334 7795
Email: gmodelhi@unionbankofindia.com
Website: www.unionbankofindia.com
Contact Person: Mr. S.C. Sinha

Kotak Mahindra Bank Limited
CMS Dept. 4th Floor,
Dani Corporate Park,
C.S.T.Road, Kalina,
Santacruz (East), Mumbai 400 098
Tel : +91 22 6759 4876/4850
Fax : +91 22 6548 2710
Email: mahendra.rao@kotak.com
Website: www.kotak.com
Contact Person: Mr. Mahendra Rao

Canara Bank
Capital Market Services Branch,
Jeevan Bharti Building,
Sansad Marg,
New Delhi 110 001
Tel : +91 11 2335 6864, 2370 5607
Fax : +91 11 2371 9542
Email: del2471@canbank.co.in
Website: www.canbankindia.com
Contact Person: Mr. C.R. Kansal

Citibank N.A.
Corporate and Investment Banking,
5th Floor, DLF Centre,
Parliament Street,
New Delhi 110 001
Tel : +91 11 2373 6873
Fax : +91 11 2373 6960
Email: vani.agrawal@citigroup.com
Website: www.citibank.com
Contact Person: Ms. Vani Agrawal

HDFC Bank Limited,
26A, Narayan Properties,
Opp. Saki Vihar, Andheri (E)
Mumbai 400 072
Tel: +91-22-28569228,
Fax: +91-22-28569256
Email: clayton.mendonca@hdfcbank.com

Website: www.hdfcbank.com
Contact Person: Mr. Clayton Mendonca

Statutory Auditors of the Company

M/s. A. R & Company
A-403, Gayatri Appartments,
Airlines Group Housing Society,
Sector 10, Dwarka
Delhi 110 075
Tel: +91 (0120) 275 5869/+91 9810444051
Fax: +91 (0120) 2755125
Email: pawangoel@sify.com
Contact Person: Mr. Pawan K. Goel and Mr. Anil Gaur

M/s. Umamaheshwara Rao & Co.
Flat No. 5-H, "D" Block,
8-3-324, Krishna Apartments
Yellareddyguda Lane,
Ameerpet, "X" Roads,
Hyderabad 500 073
Tel: +91 (40) 2375 1833
Fax: +91 (40) 23751823
Email: ucocas@yahoo.com
Contact Person: Mr. G. Sivarama Krishna Prasad

M/s. SRI Associates
3-B, Garstin Place,
Kolkata 700 001
Tel: +91 (33) 2210 1175
Fax: +91 (33) 22486771
Email: sasso@cal2.vsnl.net.in
Contact Person: Mr. I. Pasha

Monitoring Agent
IFCI Limited
IFCI Towers, 61, Nehru Place
New Delhi 110 019
Tel: +91 (11) 5560 2404
Fax: +91 (11) 2648 8460
Website: www.ifciltd.com

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities amongst the BRLMs:

Activities	Responsibility	Co-ordinator
(i) Capital structuring with the relative components and formalities such as type of instruments, etc.	Kotak, ENAM and Citigroup	Kotak

Activities	Responsibility	Co-ordinator
(ii) Due diligence of the Company's operations/ management/ business plans/ legal, etc. ▪ Drafting and design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of the Prospectus and filing with the Stock Exchanges.	Kotak, ENAM and Citigroup	Kotak
(iii) Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	Kotak, ENAM and Citigroup	Citigroup
(iv) Appointment of other Intermediaries: (a) Printers; (b) Registrar; (c) Advertising Agency; and (d) Banker to the Issue.	Kotak, ENAM and Citigroup	Printers: Kotak Registrar: ENAM Advertising Agency: Citigroup Banker to the Issue: Kotak
(v) International institutional marketing strategy, preparation of road show marketing presentation, FAQ and co-ordination for all roadshow logistics ▪ Finalise the list and division of investors for one on one meetings, institutional allocation	Kotak, ENAM and Citigroup	Citigroup
(vi) Retail/Non-institutional marketing strategy which will cover, inter alia, ▪ Finalize media, marketing and public relation strategy, ▪ Finalize centers for holding conferences for brokers, etc. ▪ Finalize collection centers, ▪ Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material Domestic institutions/banks/mutual funds marketing strategy ▪ Finalise the list and division of investors for one on one meetings, institutional allocation	Kotak, ENAM and Citigroup	ENAM
(vii) Managing the Book, coordination with Stock Exchanges, pricing and allocation to QIB Bidders.	Kotak, ENAM and Citigroup	Citigroup
(viii) Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc.	Kotak, ENAM and Citigroup	ENAM
(ix) The post issue activities of the Issue will involve essential follow up steps, which include finalization of trading and dealing instruments and dispatch of certificates and demat delivery of shares,	Kotak, ENAM and Citigroup	ENAM

Activities	Responsibility	Co-ordinator
with the various agencies connected with the work such as Registrars to the Issue, Banker to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.		

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Grading

We have not opted for the grading of this Issue.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The principal parties involved in the Book Building Process are:

(1) The Company;
(2) The Selling Shareholder;
(3) Book Running Lead Managers;
(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
(5) Registrar to the Issue.

This is an Issue of less than 25% of the post Issue capital of the Company and is being made pursuant to Rule 19(2)(b) of the SCRR through the 100% Book Building Process wherein at least 60% of the Net Issue size is required to be allotted to QIBs on a proportionate basis. However, SEBI has through its letter dated April 5, 2007 permitted a relaxation from condition (c) of Rule 19(2)(b) of the SCRR with respect to the Issue, pursuant to which at least 50% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of two million securities are being offered to the public and the size of the Issue will aggregate to at least Rs. 1,000 million. If at least 50% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 13,978,000 Equity Shares shall be available for allocation on a proportionate basis to our Employees, subject to valid Bids being received at or above the Issue Price. The Company has not opted for grading of the Issue.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, see the section titled "Terms of the Issue" beginning on page 313 of this Red Herring Prospectus.

Our Company and the Selling Shareholder shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited and ENAM Securities Private Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book, as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under the SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see the section titled "Issue Procedure - Who Can Bid?" beginning on page 317 of this Red Herring Prospectus).
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see the section titled "Issue Procedure - 'PAN' or 'GIR' Number" beginning on page 337 of this Red Herring Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares without assigning any reason.

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer for Sale at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason.

Bid/Issue Period

BID/ISSUE OPENS ON:	**September 10, 2007**
BID/ISSUE CLOSES ON:	**September 13, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted between **10 a.m. and 3 p.m**. (Indian Standard Time) and uploaded till (i) 5 pm in case of Bids by QIB Bidders and Non Institutional Bidders and; (ii) such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date, in case of Bids by Retail Individual Bidders. Due to the limited time available for uploading Bids on the Bid/Issue Closing Date, Bidders may consider submitting their Bids one day prior to the Bid/Issue Closing Date. Bidders are advised that if a large number of Bids are received on the Bid/Issue Closing Date, it may not be possible to upload all the Bids received on that day during the time available for uploading. Bids that are not uploaded on the Bid/Issue Closing Date will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

On Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

The Company and the Selling Shareholder reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines. The Floor Price can be revised up or down up to a maximum of 20% of the Floor Price advertised at least one day before the Bid/Issue Opening Date.

In case of revision of the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the websites of the BRLMs and on the terminals of members of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with ROC, our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with ROC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In million)
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021	**[•]**	**[•]**
Citigroup Global Markets India Private Limited 12th Floor, Bakhtawar Nariman Point, Mumbai 400 021	**[•]**	**[•]**
ENAM Securities Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400 021	**[•]**	**[•]**
Kotak Securities Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai 400 021	**[•]**	**[•]**

The above mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•].

In the opinion of the Board of Directors and the Selling Shareholder (based on a certificates dated [•] given to them by BRLMs and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors of our Company and the Selling Shareholder has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as on the date of filing of this Red Herring Prospectus with RoC is set forth below.

(Rs. In million, except share data)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorized Capital*		
10,000,000,000 Equity Shares of Rs. 10 each	100,000.00	[●]
B. Issued, Subscribed and Paid-Up Capital before the Issue		
3,826,219,300 Equity Shares of Rs. 10 each	38,262.19	[●]
C. Present Issue in terms of this Red Herring Prospectus		
Issue of : Up to 573,932,895 Equity Shares of Rs. 10 each fully paid up	5,739.33	[●]
Comprising :		
• Fresh Issue of up to 382,621,930 Equity Shares of Rs. 10 each fully paid-up.	3,826.22	[●]
• Offer for Sale of up to 191,310,965 Equity Shares of Rs. 10 each fully paid-up.	1,913.11	[●]
D. Employee Reservation in terms of this Red Herring Prospectus		
Up to 13,978,000 Equity Shares of Rs. 10 each fully paid up	139.78	[●]
E. Net Issue to the Public		
Up to 559,954,895 Equity Shares of Rs. 10 each fully paid up	5,599.54	[●]
Of Which:		
QIB Portion of at least 279,977,448 Equity Shares:	2,799.77	[●]
Non-Institutional Portion of not less than 83,993,234 Equity Shares (available for allocation):	839.93	[●]
Retail Portion of not less than 195,984,213 Equity Shares (available for allocation):	1,959.84	[●]
F. Equity Capital after the Issue		
4,208,841,230 Equity Shares of Rs. 10 each fully paid up	42,088.41	[●]
G. Share Premium Account		
Before the Issue	Nil	
After the Issue	[●]	

* The authorised equity share capital of the Company was increased from Rs. 50,000 million divided into 50 million equity shares of Rs. 1,000 each to Rs. 100,000 million divided into 10,000 million Equity Shares of Rs. 10 each through a special resolution of the shareholders of our Company at the general meeting held on March 28, 2007. Each equity share of Rs. 1,000 has been split into 100 Equity Shares of Rs. 10 each.

The Selling Shareholder has offered up to 191,310,965 Equity Shares as part of the Issue. This amounts to 5% of the pre-Issue equity capital of our Company.

The President of India presently holds (including equity shares held through its nominees) 100% of the issued and paid up equity capital of our Company. After the Issue the shareholding of the President of India (including shares held through its nominees) shall be 86.36% of the fully diluted post Issue paid-up equity capital of our Company.

Notes to the Capital Structure

1. Share Capital History of our Company:

The following is the history of the Equity Share capital of our Company:

Date of Allotment	Number of equity shares	Face Value (Rs.)**	Issue price per equity share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
October 23, 1989	11	1,000	1,000	Cash	Allotment of shares to the President of India and his nominees upon subscription to the Memorandum and Articles of Association	Nil	11,000
November 9, 1990	5,989	1,000	1,000	Cash	Further issue to the President of India	Nil	6,000,000
December 24, 1990	10,000	1,000	1,000	Cash	Further issue to the President of India	Nil	16,000,000
June 25, 1991	35,000	1,000	1,000	Cash	Further issue to the President of India	Nil	51,000,000
October 24, 1991	25,000	1,000	1,000	Cash	Further issue to the President of India	Nil	76,000,000
March 9, 1992	435,000	1,000	1,000	Cash	Further issue to the President of India acting through the MoP	Nil	511,000,000
May 13, 1992	100,000	1,000	1,000	Cash	Further issue to the President of India	Nil	611,000,000
July 30, 1992	16,700	1,000	1,000	Cash	Further issue to the President of India	Nil	627,700,000
September 22, 1992	11,300	1,000	1,000	Cash	Further issue to the President of India	Nil	639,000,000
November 19, 1992	36,000	1,000	1,000	Cash	Further issue to the President of	Nil	675,000,000

Date of Allotment	Number of equity shares	Face Value (Rs.)**	Issue price per equity share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
					India		
February 3, 1993	20,000	1,000	1,000	Cash	Further issue to the President of India	Nil	695,000,000
March 22, 1993	16,000	1,000	1,000	Cash	Further issue to the President of India	Nil	711,000,000
April 22, 1993	40,000	1,000	1,000	Cash	Further issue to the President of India	Nil	751,000,000
July 9, 1993	530,000	1,000	1,000	Cash	Further issue to the President of India	Nil	1,281,000,000
November 24, 1993	920,000	1,000	1,000	Cash	Further issue to the President of India	Nil	2,201,000,000
January 17, 1994	180,000	1,000	1,000	Cash	Further issue to the President of India	Nil	2,381,000,000
January 17, 1994	77,819	1,000	1,000	Cash	Further issue to the President of India	Nil	2,458,819,000
March 18, 1994	370,000	1,000	1,000	Cash	Further issue to the President of India	Nil	2,828,819,000
March 18, 1994	52,500	1,000	1,000	Cash	Further issue to the President of India	Nil	2,881,319,000
June 7, 1994	5,675,000	1,000	1,000	Other than cash against conversion of loan	Further issue to the President of India	Nil	8,556,319,000
June 7, 1994	1,096,800	1,000	1,000	Partly for consideration other than cash on account of capitalisation of interest	Further issue to the President of India	Nil	9,653,119,000
September 27, 1994	17,780,511	1,000	1,000	Partly for consideration other than cash against transfer of assets of National Thermal Power Corporation Limited, National Hydroelectric	Further issue to the President of India	Nil	27,433,630,000

Date of Allotment	Number of equity shares	Face Value (Rs.)**	Issue price per equity share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
				Corporation Limited and North Eastern Electric Power Corporation Limited			
November 8, 1994	65,000	1,000	1,000	Cash	Further issue to the President of India	Nil	27,498,630,000
April 7, 1995	503,600	1,000	1,000	Cash	Further issue to the President of India	Nil	28,002,230,000
April 7, 1995	57,179	1,000	1,000	Cash	Further issue to the President of India	Nil	28,059,409,000
August 31, 1995	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,109,409,000
August 31, 1995	84,131	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited	Further issue to the President of India	Nil	28,193,540,000
January 16, 1996	100,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,293,540,000
May 21, 1996	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,343,540,000
June 20, 1996	78,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,421,540,000
March 4, 1997	150,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,571,540,000
April 10, 1997	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,621,540,000
September 17, 1997	15,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,636,540,000
December 6, 1997	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,686,540,000
February 2, 1998	100,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,786,540,000

Date of Allotment	Number of equity shares	Face Value (Rs.)**	Issue price per equity share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
March 22, 1999	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,836,540,000
August 12, 1999	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,886,540,000
April 24, 2000	30,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,916,540,000
January 5, 2001	50,000	1,000	1,000	Cash	Further issue to the President of India	Nil	28,966,540,000
January 5, 2001	35,200	1,000	1,000	Cash	Further issue to the President of India	Nil	29,001,740,000
March 22, 2001	58,200	1,000	1,000	Cash	Further issue to the President of India	Nil	29,059,940,000
July 26, 2001	39,300	1,000	1,000	Cash	Further issue to the President of India	Nil	29,099,240,000
March 28, 2002	1,190,746	1,000	1,000	Partly for consideration other than cash against transfer of assets of Neyveli Lignite Corporation Limited	Further issue to the President of India	Nil	30,289,986,000
October 25, 2002	62,500	1,000	1,000	Cash	Further issue to the President of India	Nil	30,352,486,000
January 28, 2005	1,300,000	1,000	1,000	Cash	Further issue to the President of India	Nil	31,652,486,000
September 16, 2005	1,000,000	1,000	1,000	Cash	Further issue to the President of India	Nil	32,652,486,000
October 17, 2005	1,250,000	1,000	1,000	Cash	Further issue to the President of India	Nil	33,902,486,000
January 17, 2006	600,000	1,000	1,000	Cash	Further issue to the President of India	Nil	34,502,486,000
March 27, 2006	1,343,800	1,000	1,000	Cash	Further issue to the President of India	Nil	35,846,286,000
June 13,	330,000	1,000	1,000	Cash	Further issue to the President of	Nil	36,176,286,000

Date of Allotment	Number of equity shares	Face Value (Rs.)**	Issue price per equity share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
2006					India		
July 5, 2006	27,787	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited *	Further issue to the President of India	Nil	36,204,073,000
August 3, 2006	1,200,000	1,000	1,000	Cash	Further issue to the President of India	Nil	37,404,073,000
November 23, 2006	470,000	1,000	1,000	Cash	Further issue to the President of India	Nil	37,874,073,000
April 14, 2007	38,812,000	10	10	Other than cash against transfer of assets of National Hydroelectric Power Corporation Limited	Further issue to the President of India	Nil	38,262,193,000

***** Pursuant to the CAG audit with respect to the transfer of assets from Tehri Hydro Development Corporation Limited in August 1993, it was observed that there was an error in arriving at the net purchase consideration by Tehri Hydro Development Corporation Limited at the time of transfer of assets to our Company. The net purchase consideration was consequently amended through letter no. 3/5/2003 – H.I. of the MoP dated September 28, 2006 from Rs. 84.13 million to 111.92 million. Accordingly, our Company was required to issue an additional 27,787 equity shares of Rs. 1,000 each, with effect from August 1, 1993, towards the differential in the net purchase consideration for the assets transferred to our Company.

****** On March 28, 2007, our shareholders have approved the split of each equity share of Rs. 1,000 into 100 Equity Shares of the face value of Rs. 10 each. As of the date of this Red Herring Prospectus, the outstanding pre-Issue share capital of our Company comprises of 3,826,219,300 Equity Shares of face value of Rs. 10 each.

2. Promoters' Contribution and Lock-in

(a) Details of Promoters Contribution locked in for three years:

Sl. No.	Name of Shareholder	Date on which the Equity Shares were allotted	Date when made fully paid-up	Nature of payment	Number of Equity Shares (Face-value of Rs. 10)*	Issue Price (Rs.)	% of pre-Issue paid-up equity capital	% of post-Issue paid-up equity capital
1.	President of India	March 27, 2006	March 27, 2006	Cash	134,380,000	10	3.51	3.19
2.	President of India	January 17, 2006	January 17, 2006	Cash	60,000,000	10	1.57	1.43
3.	President of India	October 17, 2005	October 17, 2005	Cash	125,000,000	10	3.27	2.97
4.	President of India	September 16, 2005	September 16, 2005	Cash	100,000,000	10	2.62	2.38
5.	President of India	January 28, 2005	January 28, 2005	Cash	130,000,000	10	3.40	3.09
6.	President of India	October 25, 2002	October 25, 2002	Cash	6,250,000	10	0.16	0.15
7.	President of India	March 28, 2002	March 28, 2002	Partly for consideration other than cash against transfer of assets of Neyveli Lignite Corporation Limited	119,074,600	10	3.11	2.83
8.	President of India	July 26, 2001	July 26, 2001	Cash	3,930,000	10	0.10	0.09
9.	President of India	March 22, 2001	March 22, 2001	Cash	5,820,000	10	0.15	0.14
10.	President of India	January 5, 2001	January 5, 2001	Cash	3,520,000	10	0.09	0.08
11.	President of India	January 5, 2001	January 5, 2001	Cash	5,000,000	10	0.13	0.12
12.	President of India	April 24, 2000	April 24, 2000	Cash	3,000,000	10	0.08	0.07
13.	President of India	August 12, 1999	August 12, 1999	Cash	5,000,000	10	0.13	0.12
14.	President of India	March 22, 1999	March 22, 1999	Cash	5,000,000	10	0.13	0.12
15.	President of India	February 2, 1998	February 2, 1998	Cash	10,000,000	10	0.26	0.24
16.	President of India	December 6, 1997	December 6, 1997	Cash	5,000,000	10	0.13	0.12
17.	President of India	September 17, 1997	September 17, 1997	Cash	1,500,000	10	0.04	0.03
18.	President of India	April 10, 1997	April 10, 1997	Cash	5,000,000	10	0.13	0.12
19.	President of India	March 4, 1997	March 4, 1997	Cash	15,000,000	10	0.39	0.36
20.	President of India	June 20, 1996	June 20, 1996	Cash	7,800,000	10	0.21	0.18

Sl. No.	Name of Shareholder	Date on which the Equity Shares were allotted	Date when made fully paid-up	Nature of payment	Number of Equity Shares (Face-value of Rs. 10)*	Issue Price (Rs.)	% of pre-Issue paid-up equity capital	% of post-Issue paid-up equity capital
21.	President of India	May 21, 1996	May 21, 1996	Cash	5,000,000	10	0.13	0.12
22.	President of India	January 16, 1996	January 16, 1996	Cash	10,000,000	10	0.26	0.24
23.	President of India	August 31, 1995	August 31, 1995	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited	8,413,100	10	0.22	0.20
24.	President of India	August 31, 1995	August 31, 1995	Cash	5,000,000	10	0.13	0.12
25.	President of India	April 7, 1995	April 7, 1995	Cash	5,717,900	10	0.15	0.13
26.	President of India	April 7, 1995	April 7, 1995	Cash	50,360,000	10	1.32	1.20
27.	President of India	November 8, 1994	November 8, 1994	Cash	6,500,000	10	0.17	0.15
28.	President of India	September 27, 1994	September 27, 1994	Other than cash against transfer of assets of National Thermal Power Corporation Limited, National Hydroelectric Corporation Limited and North Eastern Electric Power Corporation Limited	502,646	10	0.01	0.01
		Total			**841,768,246**		**22.00%**	**20 %**

*The face value of the equity shares of our Company at the time of allotment was Rs. 1,000 each. Each of the equity shares of Rs. 1,000 were issued to the President, acting through the MoP at an issue price of Rs. 1,000. On March 28, 2007, our shareholders have approved the split of each equity share of Rs. 1,000 into 100 Equity Shares of the face value of Rs. 10 each. Consequently, for the purpose of the above table, the issue price of each existing Equity Share of Rs. 10 has also been considered as Rs. 10.

All Equity Shares which are being locked in for three years from the date of Allotment are eligible for computation of Promoters' contribution and are being locked in under clauses 4.6 and 4.11.1 of the SEBI Guidelines.

The Promoter's contribution has been brought in to the extent of not less than the specified minimum percentage.

(b) Details of Equity Shares locked in for one year:

Other than the above Equity Shares that are locked in for three years, the entire pre-Issue share capital less the number of Equity Shares which shall be transferred pursuant to the Offer for Sale shall be locked in for a period of one year from the date of Allotment in this Issue. The total number of Equity Shares which are locked in for one year is 2,793,140,089 Equity Shares.

The MoP and the Ministry of Development of North Eastern Region have granted approval on behalf of the President of India for lock-in of 20% of the fully diluted post Issue paid-up equity share capital of our Company for three years from the date of Allotment and lock-in of balance pre Issue share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment through letter no. 6/1/2006-PG dated March 30, 2007 and letter no. 19 (12)/2005/PGCIL-DoNER dated April 9, 2007 respectively.

Other requirements in respect of lock-in

As per Clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoter, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. However, Equity Shares locked-in as minimum promoter's contribution under clause 4.11.1 of the SEBI Guidelines, can be pledged, only if, in addition to fulfilling the aforementioned requirement, such loans have been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

3. Shareholding Pattern of our Company

Shareholding pattern of our Company before and after the Issue is as follows:

		Pre-Issue		Post- Issue	
	Name of Shareholder	Number of Equity Shares	Percentage of Holding (%)	Number of Equity Shares	Percentage of Holding (%)
1.	President of India (including nominees)	3,826,219,300	100 %	3,634,908,335	86.36
2.	Public (including Employees)	Nil	Nil	573,932,895	13.64
	Total	**3,826,219,300**	**100 %**	**4,208,841,230**	**100 %**

4. Our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

5. In case of over-subscription in all categories, at least 50% of the Net Issue shall be Allotted to QIB Bidders on a proportionate basis. 5% of the QIB Portion shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. If at least 50% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional

Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill-over from other categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs.

6. A total of 2.44% of the Issue, i.e. 13,978,000 Equity Shares, has been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs. 2.50 million. Only Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Employees other than as defined in this Red Herring Prospectus are not eligible to participate under the Employee Reservation Portion. Bids by Employees can also be made in the Net Issue Portion to the public and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 13,978,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and the proportionate allocation of the same would be at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs.

7. The list of shareholders of our Company and the number of Equity Shares held by them is as under:

(a) The shareholders of our Company as on the date of filing of this Red Herring Prospectus are as follows:

Sl. No.	Name of Shareholders	Number of Equity Shares (face value of Rs. 10)	Shareholding (%)
1.	President of India	3,826,218,700	99.99
2.	Mr. S. Majumdar (as nominee of the President of India)	100	Negligible
3.	Mr. G.B. Pradhan (as nominee of the President of India)	100	Negligible
4.	Mr. Rajesh Verma (as nominee of the President of India)	100	Negligible
5.	Mr. J. Sridharan (as nominee of the President of India)	100	Negligible
6.	Dr. R.P. Singh (as nominee of the President of India)	100	Negligible
7.	Mr. Jiwesh Nandan (as nominee of the President of India)	100	Negligible
	Total	**3,826,219,300**	**100**

(b) The shareholders of our Company ten days before the date of filing of this Red Herring Prospectus are as follows:

Sl. No.	Name of Shareholders	Number of Equity Shares (face value of Rs. 10)	Shareholding (%)
1.	President of India	3,826,218,700	99.99
2.	Mr. S. Majumdar (as nominee of the President of India)	100	Negligible
3.	Mr. M. Sahoo (as nominee of the President of India)	100	Negligible
4.	Mr. G.B. Pradhan (as nominee of the President of India)	100	Negligible
5.	Mr. J. Sridharan (as nominee of the President of India)	100	Negligible
6.	Dr. R.P. Singh (as nominee of the President of India)	100	Negligible
7.	Mr. Jiwesh Nandan (as nominee of the President of India)	100	Negligible
	Total	**3,826,219,300**	**100**

(c) The shareholders of our Company two years before the date of filing of this Red Herring Prospectus are as follows:

Sl. No.	Name of Shareholders	Number of equity shares (face value of Rs. 1,000)*	Shareholding (%)
1.	President of India	31,652,480	99.99
2.	Dr. V.K. Garg (as nominee of the President of India)	1	Negligible
3.	Mr. G.B. Pradhan (as nominee of the President of India)	1	Negligible
4.	Mr. J. Haque (as nominee of the President of India)	1	Negligible
5.	Mr. M. Sahoo (as nominee of the President of India)	1	Negligible
6.	Dr. R.P. Singh (as nominee of the President of India)	1	Negligible
7.	Mr. U.C. Misra (as nominee of the President of India)	1	Negligible
	Total	**31,652,486**	**100**

* Excluding 27,787 equity shares of Rs. 1,000 each issued on July 5, 2006, with effect from August 1, 1993 pursuant to letter no. 3/5/2003 – H.I. of the MoP dated September 28, 2006, towards the differential in the net purchase consideration for the assets transferred to our Company by Tehri Hydro Development Corporation Limited.

8. Except as disclosed above, neither the President of India, who is our Promoter, nor any of our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

9. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

10. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

11. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made.

12. In case of an over-subscription, 10% of the Net Issue can be retained for the purposes of rounding off to the nearest multiple of the minimum allocation lot.

13. Except our Chairman and Managing Director, Dr. R.P Singh and our Directors, Mr. S. Majumdar, Mr. J. Sridharan, Mr. G.B. Pradhan and Mr. Rajesh Verma who hold 100 Equity Shares each as nominees of the President of India, none of our other Directors or our key managerial employees hold any Equity Shares.

14. There would be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.

15. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

16. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

17. As of the date of filing of this Red Herring Prospectus the total number of holders of our Equity Shares is seven.

18. Our Company has not raised any bridge loans against the proceeds of the Fresh Issue.

19. Except as described above, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

20. Our Company has not granted any options or issued any shares under any employees stock option or employees stock purchase scheme.

21. No Equity Shares held by our Promoter is subject to any pledge.

22. Our Promoter will not participate in this Issue.

OBJECTS OF THE ISSUE

Objects of the Fresh Issue

The objects of the Issue are (a) to achieve the benefits of listing the Equity Shares on the Stock Exchanges, (b) to meet the capital requirements for the implementation of certain identified transmission projects and (c) for general corporate purposes. The net proceeds of the Fresh Issue after deducting underwriting and management fees, selling commissions and all other Issue expenses payable by us are estimated at approximately Rs. [●] million. For details of the Issue expenses, see the section titled "Other Regulatory and Statutory Disclosures - Expenses of the Issue" on page 306 of this Red Herring Prospectus. We intend to utilize the net proceeds of the Fresh Issue for the aforementioned objects.

The main objects clause and the objects incidental or ancillary to the main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

Fund Requirement

The net proceeds of the Fresh Issue shall be utilized for 15 identified transmission projects of the Company ("**Identified Projects**"). The table below sets forth the expenditure requirement for the Identified Projects, general corporate purposes and Issue expenses.

The Identified Projects include projects for strengthening of our existing transmission lines or grids, projects for establishing new transmission lines connecting new generating plants and one project for the implementation of the National Load Despatch Centre ("NLDC"). The transmission projects are expected to enhance the length of our transmission system by 13,022 circuit kilometres.

The details of each of the Identified Projects including the nature of the project, expected date of commissioning and total project cost are set forth below:

(In Rs. million)

S. No.	Object	Nature of the project	Circuit km	MVA (unless otherwise indicated)	Expected date of commissioning	Project costs as on July 31, 2007
A.						
1.	Bina-Nagda transmission line	Grid Strengthening	662	-	March 2008	#3,878
2.	Western Region System Strengthening Scheme-I	Grid Strengthening	296	315	November 2007	2,065
3.	Transmission System associated with Rajasthan Atomic Power Project-5 & 6	Generation linked (Nuclear)	525	1,575	March 2008	5,098
4.	Transmission System associated with Sipat Stage-I	Generation linked (Thermal)	2,150	4,130	Part commissioned. Balance from May 2007 to December 2007	##23,311
5.	System Strengthening-VI in Southern Region.	Grid Strengthening	148	315	December 2007	1,137
6.	Northern Region System Strengthening Scheme-III	Grid Strengthening	188	1,260	March 2008	2,657
7.	Transmission System associated with Kaiga-3 & 4	Generation linked (Nuclear)	826	1,575	December 2007	5,883
8.	Transmission system associated with Teesta-V HEP	Generation linked (Hydro)	240	315	November 2007	2,516

S. No.	Object	Nature of the project	Circuit km	MVA (unless otherwise indicated)	Expected date of commissioning	Project costs as on July 31, 2007
9.	Upgradation of Talcher-Kolar HVDC Bipole Link	Grid Strengthening	-	500 MW	December 2007	1,183
10.	National Load Despatch Centre (NLDC)	Load dispatch	-	-	May 2008	450
11.	Transmission System associated with Sipat Stage-II Supplementary	Grid Strengthening	1,173	630	June 2008	8,315
12.	Transmission System associated with Kudankulam Atomic Power Project	Generation linked (Nuclear)	2,096	1,890	November 2008*	17,793
13.	Transmission System associated with Neyveli Lignite Corporation-II	Generation linked (Thermal)	998	2,520	December 2007**	7,781
14.	Transmission System associated with Barh Generation Project	Generation linked (Thermal)	2,388	2,500 MW	September 2009	37,795
15.	Northern Region System Strengthening Scheme-V	Grid Strengthening	1,332	-	June 2009	7,213
	Funds Requirement for Identified Projects					**127,075*** **
B.	General Corporate Purposes					[•]
C.	Issue Expenses					[•]

** The associated generation project is likely to be delayed by 19 months.*

*** The associated generation project is likely to be delayed by 14 months.*

**** The total approved cost of the projects is Rs. 117,286 million. However, project costs are subject to on-going variation primarily on account of escalation clause for change in the prices of raw materials in the contracts entered into with the contractors, increase/ decrease in quantities of approved items, foreign exchange rate variation, increase/decrease in the actual interest rate from the budgeted interest rate, additional interest costs incurred due to delay in projects and changes in statutory duties and taxes. The above project cost is as on July 31, 2007. In the event, we exceed the approved cost beyond prescribed limits in implementing a certain project, the same would need to be approved by the GoI/BOD as applicable. Since our generation linked transmission projects are subject to the completion schedule of generation projects, in the event of there being any delay in the commissioning of the generation projects, we may not be able to recover any tariffs from our customers until completion of the generation project unless the transmission lines are linked with other power source, and our results of operations may be adversely affected. For more details, please refer to the risk factor relating to the mismatch in commissioning of projects on page xv of this Red Herring Prospectus.*

 # Revised Cost Estimate (RCE) under Powergrid board approval

RCE submitted to GOI for approval.

We have received certain government approvals required for undertaking these projects. For further details of the approval obtained for these projects and pending approvals, refer to the section entitled "Government and Other Approvals" on page 281 of this Red Herring Prospectus.

Means of Finance of Identified Projects

The total revised cost of the Identified Projects as on July 31, 2007 is estimated at approximately Rs. 127,075 million. These projects are proposed to be funded with a debt-equity ratio of 70:30 in

accordance with CERC norms. The equity component of the Identified Projects is to be funded by a combination of internal accruals of the Company and the proceeds of the Fresh Issue.

The following table presents an overview of the means of finance of the Identified Projects

		(Rs. in million)
(i)	Project costs of the Identified Projects as on July 31, 2007	127,075
(ii)	Amount spent upto July 31, 2007	58,628
(iii)	Remaining Cost (i – ii)	68,447
(iv)	Amount to be funded from the net proceeds of the Fresh Issue	[•]
(v)	Undrawn foreign debt currency facilities as of July 31, 2007	23,580

Schedule of Expenditure

The schedule of expenditure for each Identified Project is set forth below:

(Rs. in million)

S. No	Name Of project	Project costs as on July 31, 2007	Amount spent as of July 31, 2007*	Estimated expenditure for Fiscal 2008	Estimated expenditure for Fiscal 2009	Estimated expenditure for Fiscal 2010	Estimated expenditure for Fiscal 2011
1	Bina-Nagda transmission line	3,878	2,944	1,172	388	Nil	Nil
2	Western Region System Strengthening Scheme-I	2,065	1,490	898	68	Nil	Nil
3	Transmission System associated with Rajasthan Atomic Power Project-5 & 6	5,098	3,680	1,935	-	Nil	Nil
4	Transmission System associated with Sipat Stage-I	23,311	19,515	3,840	2,330	Nil	Nil
5	System Strengthening-VI in Southern Region.	1,137	833	339	204	Nil	Nil
6	Northern Region System Strengthening Scheme-III	2,657	1,853	909	229	Nil	Nil
7	Transmission System associated with Kaiga-3 & 4	5,883	4,097	2,163	956	Nil	Nil
8	Transmission system associated with Teesta-V HEP	2,516	1,784	824	222	Nil	Nil

S. No	Name Of project	Project costs as on July 31, 2007	Amount spent as of July 31, 2007*	Estimated expenditure for Fiscal 2008	Estimated expenditure for Fiscal 2009	Estimated expenditure for Fiscal 2010	Estimated expenditure for Fiscal 2011
9	Upgradation of Talcher-Kolar HVDC Bipole Link	1,183	532	502	437	Nil	Nil
10	National Load Despatch Centre (NLDC)	450	17	81	262	90	Nil
11	Transmission System associated with Sipat Stage-II Supplementary	8,315	1,577	2,407	3,339	2,090	Nil
12	Transmission System associated with Kudankulam Atomic Power Project	17,793	7,660	6,712	3,149	2,672	Nil
13	Transmission System associated with Neyveli Lignite Corporation-II	7,781	3,385	3,856	1,869	Nil	Nil
14	Transmission System associated with Barh Generation Project	37,795	8,234	7,895	10,512	10,250	4,832
15	Northern Region System Strengthening Scheme-V	7,213	1,027	1,945	2,352	2,000	562
	Total	**127,075**	**58,628**	**35,478**	**26,317**	**17,102**	**5,394**

* *Certified by Ajay Agarwal & Co, Chartered Accountants through certificate dated August 9, 2007.*

The total amount spent as on July 31, 2007 aggregating to Rs. 58,628 million has been funded through debt, equity infusion by GoI and internal accruals. The debt component aggregates to Rs. 44,750 million comprising of utilization of facilities to the extent of Rs. 3,881 million from the World Bank ("WB"), Rs. 9,554 million from the Asian Development Bank ("ADB") and Rs. 31,315 million through issuance of domestic bonds. The remaining amount of Rs. 13,878 million has been funded through equity infusion of Rs. 1,830 million from GoI and Rs. 12,048 million from our internal accruals.

Sources of Funding of our Balance Fund Requirements

The balance of our fund requirements for the implementation of the Identified Projects aggregating to Rs. 68,447 million will be met through the net proceeds of the Fresh Issue internal accruals, existing undrawn foreign currency debt facilities and new borrowings ensuring that the our projects are funded

in the debt equity ratio of 70:30. We confirm that we have firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the Fresh Issue . For details of the outstanding amounts available under existing loan facilities as of July 31, 2007, see the section titled "Financial Indebtedness" on page 81 of this Red Herring Prospectus.

Project Appraisals

Out of the 15 Identified Projects, seven projects are being funded by the World Bank and the Asian Development Bank. Prior to sanctioning funds for our projects, these multilateral agencies typically undertake an appraisal exercise of the sector and a basket of projects of our Company, which includes seven Identified Projects.

The details of the appraisal for the loans and the related projects are as follows:

Sl. No.	Appraiser	Date	Identified Project
1.	World Bank	December 15, 2005	National Load Despatch Centre (NLDC)
			Transmission System associated with Sipat Stage-II Supplementary
			Transmission System associated with Barh Generation Project
2.	Asian Development Bank	November 2004	Transmission system associated with Sipat Stage – I
			Transmission System associated with Kudankulam Atomic Power Project
			Transmission System associated with Neyveli Lignite Corporation-II
			Northern Region System Strengthening Scheme-V

The appraisal reports of the World Bank mention certain risks applicable to our Company and the mitigating factors in relation to these risks. For further details please refer to the risk factor relating to the appraisal report on page xv of this Red Herring Prospectus.

Additionally, all our projects are also sanctioned either by the GoI (if the project involves an investment of an amount in excess of Rs. 5 billion) or by our Board of Directors (in any other case).

Contracts for the implementation of the Identified Projects

Transmission projects are generally implemented by breaking down the project into "packages" depending upon the size and the nature of the project. The major packages involved in the implementation of our projects include supply and erection contracts for construction of transmission lines and substations. In respect of the Identified Projects for which the net proceeds of the Fresh Issue are intended to be used, as of the date of this Red Herring Prospectus, we have already awarded major contracts amounting to approximately Rs. 90,185 million as of July 31, 2007. Some of the contracts for the projects which are yet to be awarded, will be awarded by us at an appropriate time during the course of the implementation of the projects.

All project implementation contracts usually contain, amongst others, price variation clauses subject to a specified limit, completion time guarantee clauses, defect liability clauses and indemnity clauses. The contract costs mentioned below can escalate due to any of the reasons mentioned above or due to other circumstances. Any increase in the price of contracts, due to price variation provisions or due to change in design or force majeure situations or due to certain other circumstances is borne by our Company.

The details of the major contracts awarded by us with respect to the Identified Projects are as follows:

(Rs. in million)

	Name Of Project/Scheme	Major Suppliers	Value of major contracts awarded
1	Bina-Nagda transmission line	SPIC-SMO and ABB Limited	2,568
2	Western Region System Strengthening Scheme-I	Icomm Tele Limited, Larson and Toubro, and Nokian Capacitors Limited	2,011
3	Transmission System associated with Rajasthan Atomic Power Project-5 & 6	Kalpatru Power Tranmsmission Limited, KEC International Limited, ABB Limited and Siemens Limited	3,530
4	Transmission System associated with Sipat Stage-I	Larson and Toubro,, Inabensa, Kalpatru Power Tranmsmission Limited, KEC International Limited, Tata Projects Limited, Comptron Greavess, RPG Transmission Limited, ABB Limited	13,488
5	System Strengthening-VI in Southern Region.	JMC Projects (I) Limited, Comptron Greavas	794
6	Northern Region System Strengthening Scheme-III	Icomm Tele Limited, Ircon International, ABB Limited	1,962
7	Transmission System associated with Kaiga-3 & 4	Larson and Toubro., Tata Projects Limited, Icomm Tele Limited, Siemens Limited, ABB Limited	5,023
8	Transmission system associated with Teesta-V HEP	KEC International Limited and Bharat Heavy Electronics Limited	1,873
9	Upgradation of Talcher-Kolar HVDC Bipole Link	Siemens AG, Germany	794
10.	NLDC	Areva	188
11	Transmission System associated with Sipat Stage-II Supplementary	Jyoti Structures Limited, KEC International Limited, SPIC-SMO, Ircon International, ABB Limited and Bharat Heavy Electronics Limited	7,374
12	Transmission System associated with Kudankulam Atomic Power Project	Kalpatru Power Tranmsmission Limited, RPG Transmission Limited, KEC International Limited, Best and Crompton, Compton Greaves, Jyoti Structures Limited	10,684
13	Transmission System associated with Neyveli Lignite Corporation-II	SPIC-SMO, Associated Transrail Structures Limited Electrical Manufacturing Company Limited, Best and Crompton Areva, Siemens Limited	5,407
14	Transmission System associated with Barh Generation Project	KEC International Limited, Kalpatru Power Tranmsmission Limited, Tata Projects Limited Siemens Limited and Bharat Heavy Electronics Limited	2,9254
15	Northern Region System Strengthening Scheme-V	Associated Transrail Structures Limited, Larson and Toubro, Bharat Heavy Electronics Limited	5,235

Details of Plant, Machinery, Technology and Process

The major plant and machinery which are to be procured for implementation of Identified Projects are as follows:

A	**Sub-station Equipments**	
1	Transformers	765/400 KV (500 MVA single phase unit), 400/220 KV (315 MVA three phase unit)
2	Reactors	Line reactor 765 KV, (80 MVAR single phase unit), Line and Bus Reactor (50 MVAR, 63 MVAR and 80 MVAR three phase units)
3	Circuit Breaker	765 KV with 40KA short circuit capacity, 420 KV with 40KA Short circuit capacity
4	Conductors	Moose, Zebra, etc
5	Tower materials	Galvanized tower materials of different sizes
6	Insulators	Glass and porcelain insulators of different rating
7	Series capacitors	336 MVAR per phase capacity
8	Hardware fittings	Hardware fittings for sub-station equipments
9	PLCC and communication equipments	Communication equipments for protection and data
10	Control and Instrumentation	Control room, control panel, protection panels, cables etc
11	Civil and Structural Works	All civil and structural works of sub-station, building and control room including foundations, cable trenches, etc
12	Other plant and Equipments	Air conditioning and ventilation, fire fighting equipments, etc
B	**Transmission line Equipments**	
1	Conductors	Moose, Zebra etc
2	Insulators	Glass and porcelain insulators of different rating
3	Tower materials	Galvanized tower materials of different sizes
4	Hardware fittings	Hardware fittings for conductor, insulator etc
5	Civil and Structural Works	All civil and structural works of transmission lines, including foundations, tower erection, stringing, etc
C	**Load Despatch and Communication**	
1	SCADA system	
2	Communication terminal Equipments	Communication terminal equipments
3	Control and Instrumentation	Control room, control panel, etc

The Identified Projects are at varying stages of implementation, hence we have not yet awarded certain packages for the Identified Projects. We are in the process of finalising the packages post which we will award the same through a bidding process. Further, the Identified Projects and our capacity expansion plans in general are also subject to a number of contingencies and uncertainties, many of which are beyond our control. We do not propose to use the proceeds of the Fresh Issue for purchase of second hand plant and machinery. Also see the Risk Factors relating to our expansion plans in the section titled "Risk Factors" on page xi of this Red Herring Prospectus.

Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received by us from the Fresh Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds from the Fresh Issue in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration. Such

investments would be in accordance with investment policies approved by our Board of Directors from time to time.

General corporate purposes

We intend to use Rs. [●] million from the net proceeds of the Fresh Issue for our general corporate purposes.

Issue expenses

The expenses for this Issue include lead management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. [●] million.

Appraisal

Except as stated above, our fund requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank or financial institution. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in respect of the other activities. The balance proceeds of the Fresh Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes.

Monitoring of utilisation of funds

Our Board and IFCI Limited, the Monitoring Agent, shall monitor the utilization of the net proceeds of the Fresh Issue. We will disclose the details of the utilization of the net Proceeds, including interim use, under a separate head in our financial statements for Fiscal 2008, Fiscal 2009 and Fiscal 2010, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges.

No part of the proceeds of the Fresh Issue will be paid by us as consideration to our Promoters, our Directors or key management personnel except in the usual course of business.

Objects of the Offer for Sale

The object of the Offer for Sale is to carry out the disinvestment of up to 191,310,965 Equity Shares of Rs. 10 each by the Selling Shareholder. The Company will not receive any of the proceeds from the Offer for Sale.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of demand from Investors for the Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 4.4 times the face value at the lower end of the Price Band and 5.2 times the face value at the higher end of the Price Band.

Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to "Our Business" and "Risk Factors" on pages 57 and xi respectively of this Red Herring Prospectus.

Quantitative Factors

Information presented in this section is derived from the Company's unconsolidated restated financial statement of assets and liabilities and unconsolidated restated financial statement of profits and losses prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

1. Earnings per Share (EPS)

Year ended	EPS based on Restated Financial Statements (Rs.)	Weight
March 31, 2005	2.68	1
March 31, 2006	2.86	2
March 31, 2007	2.90	3
Weighted Average	**2.85**	
June 30, 2007	1.19*	

* not annualised

Note:

- The Earning per share has been computed by dividing net profit attributable to equity shareholders as restated, by weighted average number of equity shares outstanding during the year / period
- Net profit, as restated and appearing in the summary statement of profits and losses of the Company has been considered for the purpose of computing the above ratio
- The face value of each equity share is Rs. 10/-
- Weighted average number of equity shares outstanding and EPS is calculated in accordance with Accounting Standard 20 on "Earnings per Share" issued by ICAI

2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each

a. P/E ratio in relation to the Floor Price : 15.4 times
b. P/E ratio in relation to the Cap Price : 18.2 times
c. P/E based on EPS for the year ended March 31, 2007 : [●] times
d. P/E based on Weighted average EPS : [●] times
e. Industry P/E – There are no listed companies in India which are in the business of power transmission.

3. Average Return on Net worth (RoNW)

Year ended	RoNW (%)	Weight
March 31, 2005	9.38	1
March 31, 2006	9.64	2

Year ended	RoNW (%)	Weight
March 31, 2007	10.16	3
Weighted Average	**9.86**	

Note:

- The RoNW has been computed by dividing net profit after tax as restated, by Net Worth at the end of the year / period
- Net profit, as restated and appearing in the summary statement of profits and losses of the Company has been considered for the purpose of computing the above ratio

4. Minimum Return on Total Net Worth after issue needed to maintain Pre-Issue EPS for the year ended March 31, 2007 is [●]

5. Net Asset Value (NAV)

NAV as at June 30, 2007 : Rs. 29.15 per Equity Share
NAV as at March 31, 2007 : Rs. 28.26 per Equity Share
NAV after the Issue : Rs. [●] per Equity Share
Issue Price : Rs. [●] per Equity Share

NAV per equity share has been calculated as net worth, as restated, at the end of the year divided by number of equity shares outstanding at the end of the year / period

The Issue Price of Rs. [●] per Equity Share has been determined by us in consultation with the BRLMs on the basis of the demand from investors through the book building process and is justified based on the above accounting ratios.

- ***Comparison with other listed companies***

We believe none of the listed companies in India are in the business of power transmission. Hence, comparative data for the peer group/industry is not available.

The Issue Price of Rs. [●] per Equity Share has been determined by us in consultation with the BRLMs, on the basis of the demand from investors for the Equity Shares through the Book building process and is justified based on the above accounting ratios. For further details see "Risk Factors" on page xi and the financials of the Company including profitability and return ratios, as set out in the "Auditors' Report" on page 139 of the Red Herring Prospectus for a more informed view.

STATEMENT OF GENERAL TAX BENEFITS

Power Grid Corporation of India Limited,
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi 110016

Dear Sirs,

We hereby report that the enclosed annexure states "General Tax Benefits" available to Power Grid Corporation of India Limited (the "**Company**") and its shareholders under the current tax laws in force in India as amended by the Finance Act, 2007. The benefits as stated are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

The benefits discussed in the enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

For **A.R & Co.**	For **S R I Associates**	For **Umamaheswara Rao & Co.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
(**Pawan K Goel**)	(**I Pasha**)	(**L Shyama Prasad**)
Partner	Partner	Partner
M.N.072209	M.N.013280	M.N. 028224

Place: Gurgaon
Date: August 20, 2007

Annexure to Statement of "General Tax Benefits" available to Power Grid Corporation Of India Limited and its shareholders

A. To the Company

1. Under the Income Tax Act, 1961

- Energy saving devices being Electrical equipments such as Shunt capacitors, automatic power cut off devices, automatic voltage controller, power factor controller for AC, series compensation equipments, equipment to establish transmission highways for National Power Grid, etc are entitled for higher depreciation at the rate of 80% on W.D.V. as per Appendix I of Income Tax Rules under Section 32 of the Income Tax Act., 1961.
- In accordance with and subject to the condition specified in Section 80 IA of' the Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any 10 consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31.03.2010.
- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115(0) of the IT Act, is exempt from tax in the hands of the company.
- By virtue of Section 10(15), interest income earned from 8.5% SLR Power Bonds are exempt from tax in the hands of the company.
- The liability of Income Tax of the company on profits from core business (i.e. Transmission of electricity) is passed through to beneficiaries in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

2. Under Central Sales Tax Act, 1956

- Tax on inter state sales tax leviable under Section 6(1) of the Central *Sales* Tax Act, 1956 is not applicable on transmission of electrical energy.
- In terms of section 8(3)(b) of the Central Sales Tax Act, 1956, the purchases made in the course of inter-state trade or commerce for use in the generation or distribution or any other form of power is eligible for concessional rate of sales tax of 3%.

3. Under Customs Tariff

- In terms of notification No. 21/2002-Cus dated 1.3.2002 as amended by last Notification No. 6/2007-Cus. Dated 22.1.2007 under Customs Tariff of India, the goods as per List 44 required for setting up of any Transmission Project, are eligible to import at 5% rate of basic custom duty subject to fulfillment of certain conditions.
- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended by last Notification No. 6/2007-Cus. Dated 22.1.2007 under Customs Tariff of India, the Power Transmission Companies are eligible to import goods required for setting up of any power transmission projects at concessional rate of 7.5% basic custom duty under Project Imports.
- In terms of Notification No. 20/2006-Cus dtd 1.3.2006 (Serial No. 11 and 12) under

Customs Tariff of India, the Special Additional Duty 4% is not applicable on import of goods under Notification No. 21/2002 dtd 1.3.2002 by Power Transmission Companies.

- In terms of notification No. 84/1997 dtd 11.11.1997 the goods imported under World Bank/ADB funded projects are eligible for nil customs duty.

4. Under EXIM Policy

- Supply of goods to projects funded by World Bank/ADB are entitled to deemed export benefits as available under Chapter 8 of Export & Import Policy.

B. To the Members of the Company

B1. Under the Income Tax Act, 1961

1. All Members

- By virtue of Section 10(38) of' the Income Tax Act, 1961, income arising from transfer of a long-term capital asset, being an equity share in the Company is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force and such transaction is chargeable to the Securities Transaction Tax under that Chapter. However, the long-term capital gain of a share holder being a company shall be subject to income tax computed on book profit under section 115JB of' the Income Tax Act, 1961.
- By virtue of Section 111A inserted by Finance (No.2) Act, 2004, short term capital gain on transfer of equity share of the Company shall be chargeable to tax @ 10%, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to Securities Transaction Tax under that Chapter.
- By virtue of Section 88E of the Income Tax Act, 1961 and subject to certain conditions rebate of tax paid on securities transaction is allowable as deduction from the amount of income tax.

2. Resident Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-0 of the IT Act, is exempt from tax in the hands of the shareholders.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

* National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act,* 1988;
* Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54F of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and education cess) (without indexation), at the option of the Shareholders.

3. Non Resident Indians/Members (other than FIIs and Foreign Venture Capital Investors)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-0 of the IT Act, is exempt from tax in the hands of the recipients.

Tax on Investment Income and Long Term Capital Gain

- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to Incomes of Non-Residents".
- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for period exceeding 12 months shall be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuation.

Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases

- Under provisions of Section 115F of the Income Tax Act, 1961, long term capital gains arising to a non resident Indian from the transfer of-shares of the Company subscribed to in convertible Foreign Exchange. shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

- Under provisions of Section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible has been deducted at source there from.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so, the

provisions of this Chapter shall not apply to him instead the other provisions of the Act shall apply.

- Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

  * National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act,* 1988;

  * Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

  If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
- Under Section 54F of the Income Tax Act. 1961 and subject to the condition and to the extent specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from Capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and Education Cess) after indexation as provided in the second proviso to Section 48; indexation not available if investments made in foreign currency as per the first proviso to section 48 stated above) or at 10% (plus applicable surcharge and Education Cess) (without indexation), at the option of assessee.

4. Mutual Funds

In terms of Section 1O(23D) of the Income Tax Act, 1961, mutual funds registered under the Securities and Exchange Board of India Act 1992 and such other mutual funds set up by public sector banks or public financial institutions authorized by the Reserve Bank of India and subject to the conditions specified therein, are eligible for exemption from income tax on their entire income, including income from investment in the shares of the company.

5. Foreign Institutional Investors (FIls)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend from another domestic company referred to in Section 115-0 of the IT Act, is exempt from tax in the hands of the institutional investor.
- The income by way of short term or long term capital gains realized by FIls on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.
  * Short term capital gains - 30% (plus applicable surcharge and Education Cess)
  * Short term capital gains covered U/s 111A- 10% (plus applicable surcharge and

Education Cess)
* Long term capital gains - 10% (without cost indexation) plus applicable surcharge and Education Cess.

(shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by
  * National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act,* 1988;
  * Rural Electrification Corporation Limited, registered under the Companies Act, 1956;

6. Venture Capital Companies *I* Funds

In terms of Section 10 (23FB) of the Income Tax Act, 1961, all Venture Capital Companies *I* Funds set up to raise funds for investment and registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

B2. Under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of Section 2 (ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

B3. Under the Gift Tax Act, 1957

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift Tax

Notes

All the above benefits are as per the current tax law as amended by the Finance Act, 2007 and will be available only to the sole/ first named holder in case the shares are held by joint holders

In respect of non residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor, with respect to specific tax consequences of his/her participation in the issue.

The above statement of possible direct and indirect taxes benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

POWER SECTOR IN INDIA

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the Government and its various ministries and from various multi-lateral institutions. This information has not been prepared or independently verified by us or any of our advisors, and should not be relied on as if it had been so prepared or verified. Unless otherwise indicated, the data presented exclude captive capacity and generation.

Overview of the Indian Economy

India, the world's largest democracy in terms of population, with over 1 billion people, had a GDP on a purchasing power parity basis of approximately US$ 4,156 billion in 2006. This made it the fourth largest economy in the world after the United States of America, China and Japan (*Source: CIA World Factbook*).

In 1991, the Government of India initiated a series of extensive macroeconomic and structural reforms to promote economic stability and growth. The key policy reforms that were initiated by the Government were focused on implementing fundamental economic reforms, deregulating industry, accelerating foreign investment and pushing forward a privatization programme. Consequent to the reforms, India's economy has continued to record a robust growth buoyed by the sustained momentum in the services and manufacturing sectors. According to the Macroeconomic and Monetary Developments First Quarter Review 2007-08 prepared by the Reserve Bank of India, India had a GDP growth rate of 7.5% in Fiscal 2005 and 9.0% in Fiscal 2006. The latest estimates released by the Central Statistical Organisation in May 2007 revised real GDP growth upwards to 9.4% during Fiscal 2007.

Overview of the Indian Power Sector

Demand for electric power transmission services is largely dependent on levels of demand for electric power, and on the ability of the electric power generation and distribution sectors to service that demand. The GoI has developed a national electricity policy, which aims at accelerating the development of the power sector through the generation of additional power, in order to provide for establishment of infrastructure to increase the amount of power generated. This policy is being promoted by the Ministry of Power as "Mission 2012: Power for All".

Projected Energy Demand

The projected energy demand in India is as set forth below:

	Electrical Energy Requirement(GWH)			**Peak Load (MW)**		
State/Year	**2011-12**	**2016-17**	**2021-22**	**2011-12**	**2016-17**	**2021-22**
Northern Region	294,841	411,513	556,768	48,137	66,583	89,913
Western Region	294,860	409,805	550,022	47,108	64,349	84,778
Southern Region	253,443	380,068	511,659	40,367	60,433	80,485
Eastern Region	111,802	168,942	258,216	19,088	28,401	42,712
North-Eastern Region	13,329	21,143	36,997	2,537	3,760	6,180
Andaman and Nicobar	344	537	779	77	119	132
Lakshadweep	40	58	68	11	17	19
Total	**968,659**	**1,392,066**	**1,914,508**	**152,746**	**218,209**	**298,253**

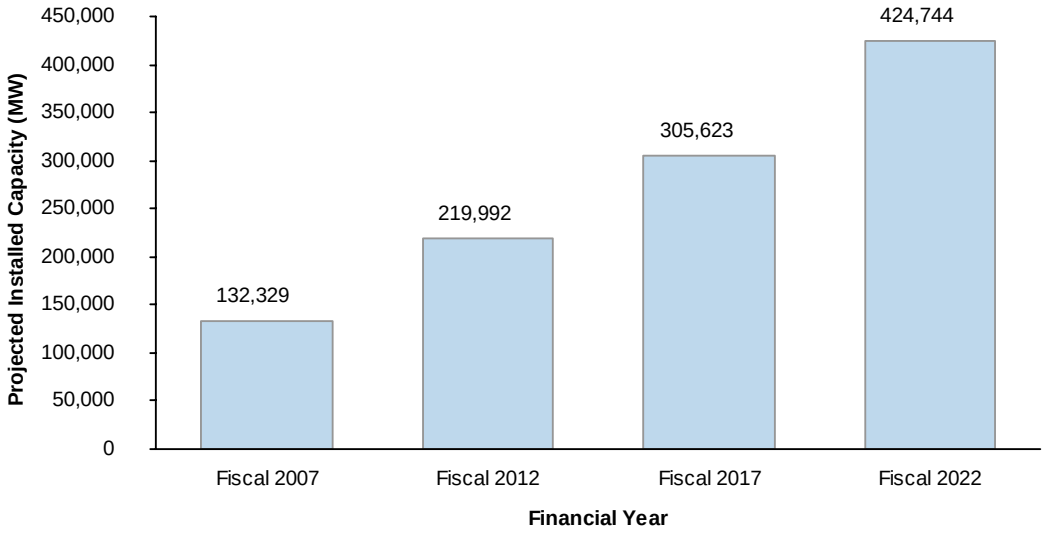
Source: CEA 17th Electric Power Survey of India, 2007

Electric Power Generation

According to the CEA, as at March 31, 2007, India's power generation systems had an installed capacity of around 132,329 MW, as against 124,287 MW as at March 31, 2006 (each excluding captive generation capacity). As at March 31, 2007 thermal power plants powered by coal, gas,

naphtha or oil accounted for 65% of the total power capacity in India hydroelectric stations accounted for 26.2% and other sources (including renewable sources of energy and nuclear stations) accounted for 8.8%. As at March 31, 2007, the CPSUs accounted for approximately 34.10% of total power generation capacity, various state entities accounted for 52.97% and private sector companies accounted for approximately 12.93%.

The GoI has adopted a system of successive Five Year Plans that set out targets for economic development in a number of sectors, including the power sector. Each successive Five Year Plan has had increased targets for the addition of power generation capacity. Projected addition in installed capacity of 87,663 MW during the Eleventh Five Year Plan.



Source: Draft Report of the Expert Committee on Integrated Energy Policy, CEA website, 2007

National power generation increased from 558.3 billion units in Fiscal 2004 to 587.4 billion units in Fiscal 2005 and stood at 662.5 billion units in Fiscal 2007*(Source: CEA).*

The 17th Electric Power Survey, 2007 ("EPS') carried out by the CEA projects a peak demand of 113,059 MW in 2008 and 152,746 MW for Fiscal 2012, while the peak demand for the Fiscal 2017 is projected to be at 218,209 MW. This represents a need for the substantial augmentation of power generation capacity. Such investment in power generation will require increased investment in power transmission and distribution if the additional power is to be effectively disseminated among potential customers.

Electric Power Transmission

The transmission of electricity is typically defined as the bulk transfer of power over a long distance at a high voltage, generally 132 KV and above. A reliable transmission and distribution system is important for the proper and efficient transfer of power from generating stations to load centers and beyond. A transmission and distribution ("T&D") system is typically comprised of transmission lines, sub-stations, switching stations, transformers and distribution lines. If the GoI intends to increase installed power generation capacity by 87,663 MW by 2012, it must also facilitate an expansion of the transmission network and inter-regional capacity to transmit power. Global electricity sector investment is anticipated to reach USD 10 trillion by 2030. More than USD 5 trillion will be used to invest in transmission and distribution networks *(Source: World Energy Outlook 2003)*.

Average investment in T&D in India during the Tenth Plan was about 32% of investment in generation (*Source: Eleventh Five Year Plan (Ministry of Power)*.

Inter-regional transmission networks are required because power generation sources are unevenly distributed in India, and power needs to be carried over large distances from areas where power is generated to areas where load centers and demand exist.

In order to ensure the reliable supply of power, efficient utilization of generating capacity and effective exploitation of unevenly distributed generating resources in the country so as to optimise their potential, a strong interconnected transmission grid is required, which interconnects various generating stations and load centers. This ensures an uninterrupted supply of power to a load center, even if there is a failure at the local generating station or a maintenance shutdown. In addition, power can be transmitted through an alternative route if a particular section of the transmission system is unavailable.

In India, the T&D system is a 3-tier structure comprising distribution networks, state grids, and regional grids. These distribution networks and state grids are principally owned and operated by SEBs or other state utilities, or state governments (through state electricity departments). At present there are five regional grids operating in India, in the Northern, Eastern, Western, Southern and Northeastern regions. Regional or interstate grids facilitate the transfer of power from a region with a surplus to one with a deficit. These regional grids also facilitate the scheduling of maintenance outages and coordination between power plants. Presently the Northern, Eastern, Western and North Eastern regions, are operating in one synchronous mode with total installed capacity of 90,000 MW and the Southern region is interconnected with Western Region and Eastern Region through HVDC links.

With the strengthening of inter-regional connections by 2012, the inter-regional capacity is predicted to grow from 14,100 MW to 37,150 MW. This shall facilitate transfer of power from surplus regions to deficit region. For instance, the Eastern region currently has surplus power, part of which is being transferred to the Southern region, which currently has a deficit. Based on the updated Eleventh Five Year Plan, the projected power exchange requirement load flows among various regions for Fiscal 2012 is as set forth below:

Load Flows for year Fiscal 2012 for peak demand and availability (surplus/deficit)

Region	Winter (MW)	Monsoon (MW)	Summer (MW)
Northern	7,870	1,220	2,600
Western	4,460	5,630	6,300
Southern	2,620	1,340	1,360
Eastern	12,510	1,700	6,420
Northeastern	2,440	4,050	3,840

Load Flows for year Fiscal 2012 for off-peak demand and availability (surplus/deficit)

Region	Winter (MW)	Monsoon (MW)	Summer (MW)
Northern	5,880	-	4,280
Western	340	2,090	-
Southern	-	-	-
Eastern	5,390	700	3,000
Northeastern	150	1,390	1,280

Source: National Electricity Plan - Transmission

Historical and planned inter-regional transmission capacity is set forth in table below:

(Capacity in MW)	At the End of Fiscal 2002	Planned Addition During 10th Plan	At the End of Fiscal 2007	Planned Addition During 11th Plan	At the End of Fiscal 2012E
East-South	600	2,500	3,120	550	3,650
East-North	100	3,600	4,220	7,750	11,450
East-West	400	1,450	1,760	4,650	6,500

(Capacity in MW)	At the End of Fiscal 2002	Planned Addition During 10th Plan	At the End of Fiscal 2007	Planned Addition During 11th Plan	At the End of Fiscal 2012E
East-North East	1,250	-	1,240	1,000	2,250
North-West	1,000	1,100	2,080	5,500	7,600
West-South	1,700	-	1,680	1,000	2,700
North East-North/West	-	-		3,000	3,000
Total	**5,050**	**8,650**	**14,100**	**23,450**	**37,150**

Source: Eleventh Five Year Plan (Ministry of Power) and Company

National Grid

In order to optimize the utilization of generation capacity through the exchange of power between surplus and deficit regions and to exploit the uneven distribution of hydroelectric potential across various regions, the GoI in 1981 approved a plan for setting up a national grid. The plan envisaged the setting-up of high-voltage transmission links across various regions, in order to enable the transfer of power from surplus to deficit regions.

The process of setting up the national grid was initiated with the formation of the central sector power generating and transmission companies, NTPC, NHPC and Power Grid. Power Grid was made responsible for planning, constructing, operating and maintaining all inter-regional links and taking care of the integrated operation of national and regional grids. The national grid, when fully operational, is expected to have a total inter-regional transmission capacity of 37,150 MW. It is expected to be fully operational by around 2012. Setting up a national grid requires the gradual strengthening and improvement of regional grids and their progressive integration, through extra high voltage and HVDC transmission lines. There has been a proposal to add transmission lines in the Eleventh Five Year Plan as set forth in the table below:

Year	Transmission lines at the end of the tenth five year plan		Targeted Addition During the eleventh five year plan	
	Ckm	MVA	Ckm	MVA
765 kV	2,184	-	5,273	24,500
400 kV	75,722	92,942	-	-
HVDC Up to 500 kV	5,872	13,000	5,400	8,500
230/220 kV	114,602	156,497	-	-

Source: Eleventh Five Year Plan (Ministry of Power)

An investment of Rs. 1,400 billion has been planned in the transmission sector in the Eleventh Five Year Plan as set out below:

(Rs. in billions)

	Eleventh Five Year Plan
Inter-State	750
Intra-State	650
Total	**1,400**

Source: Eleventh Five Year Plan (Ministry of Power)

Private Investments in Electric Power Transmission

In 1998, the Electricity Laws (Amendment) Act was enacted, which recognized transmission as an independent activity, distinct from generation and distribution, and allowed private investment in the sector.

In 2000, the GoI issued guidelines whereby the state transmission utilities (STUs, SEBs or their successor entities) and the central transmission utility (Power Grid) could identify transmission

projects for the intrastate and the inter-state/inter-regional transmission of power, respectively. The STUs and the CTU could invite private companies to implement these projects through an IPTC or on a joint venture basis.

The role of the IPTC would be limited to the construction, ownership and maintenance of transmission systems. Operations of the grid, including load despatch, scheduling and monitoring, will be undertaken by the STUs and the CTU at the intrastate and interstate/inter-regional levels, respectively. The CTU and STUs would be involved in the development phase for obtaining project approvals and various regulatory and statutory clearances (such as environment and forest clearances and the securing of rights of way), and would transfer the same to the private companies selected.

In April 2006, the GoI issued tariff-based competitive bidding guidelines for transmission services and bid process management and also issued guidelines for encouraging competition in development of transmission projects. The GoI also envisaged the formation of an Empowered Committee, headed by a member of CERC. The functions of the empowered committee include identifying projects under the above scheme, facilitating preparation of bid documents, evaluating bids, finalizing project agreements and developing projects.

Regarding intrastate transmission projects, the state governments can also adopt these guidelines and may constitute similar committees.

Ultra Mega Power Projects

The Government of India has envisaged a capacity addition of 100,000 MW to meet its mission of power for all by 2012. Achievement of this target requires large capacity projects at the national level to meet the requirements of a number of states. Recognising the fact that economies of scale leading to cheaper power can be secured through development of large size power projects using super critical technology that have the advantages of low consumption of coal and lower emissions, the Ministry of Power is developing nine Ultra Mega Power Projects (UMPPs) through tariff based competitive bidding out of which Mundra and Sasan UMPP's have been transferred to successful bidders. These 9 UMPP's each with the capacity of about 4,000 MW would also have scope for further expansions.

We have been requested to prepare feasibility reports in respect of our anticipated role in the construction of transmission systems associated with the UMPPs being developed by the MoP.

Electric Power Distribution

Power distribution is a critical link between power generation, power transmission and end users of power. As a result of high T&D and commercial losses and the historically weak financial health of SEBs, investments in the distribution sector have been relatively low and the growth and maintenance of distribution systems in India has been poor.

To improve the distribution of power, the GoI has formulated the Accelerated Power Development Reform Programme ("APDRP"). The objectives of this programme are to improve the financial viability of state power utilities, reduce aggregate technical and commercial losses to around 10%, improve customer satisfaction and increase the reliability and quality of the power supply. The APDRP has two components, the investment component and the incentive component. Under the investment component, the government provides assistance worth 25% of the project cost, as a grant. Finance for the remaining 75% has to be arranged by the utilities either through internal resource generation, from financial institutions or from other sources of funds. Special category states such as Jammu & Kashmir, Himachal Pradesh, Uttaranchal and Sikkim receive full assistance from the GoI, of which 90% is grant and the remaining 10% is loan. Priority is given to projects from those states that have committed themselves to a time-bound programme of reforms as elaborated in a memorandum of understanding and memorandum of agreement and that are progressing on those commitments. Funds will be utilized for upgrading and modernization of sub-transmission and distribution networks (below 33 KV or 66 KV).

The year wise budget of the Ministry of Power in respect of this program, including both investment and incentive components, is set out below:

(Rs. in billions)

	Budget	Disbursement
2002-2003	10.9	21.3
2003-2004	33.0	28.6
2004-2005	17.0	15.0
2005-2006	11.7	11.7

Source: Ministry of Power website

To further strengthen the pace of rural electrification, and with an objective to electrify all villages and rural households within five years, the GoI launched the Rajiv Gandhi Grameen Vidyutikaran Yojana ("RGGVY") programme. RGGVY aims to create a rural electricity distribution backbone by providing for substations, distribution transformers and decentralized distribution generation systems where grid supply is not feasible. The RGGVY scheme identified approximately 112,400 villages and over 56% of rural households that were still to be electrified and which required huge investment. The GoI also redefined the scope of village electrification for the purposes of the scheme, and in accordance with the revised definition over 125,000 villages are to be electrified. The Government recognized that in the sates of Arunachal Pradesh, Bihar, Jharkhand, Meghalaya, Uttar Pradesh less than 75% of villages were electrified, while in the states of Assam, Chhatisgarh, Manipur, Orissa, Uttaranchal and West Bengal less than 95% but more than 75% of villages were electrified. Under the RGGVY, the GoI will provide a 90% capital subsidy and make soft loans available to SEBs through the REC. It was estimated that for electrifying 125,000 villages, providing for the rural electrification of households below the poverty line and for augmenting a backbone network in already electrified villages, a capital cost of Rs. 812.5 billion, Rs. 315 billion and Rs. 462 billion, respectively, totaling Rs. 1,625 billion is required. The RGGVY scheme estimated total GoI subsidies amounting to Rs.1,475 billion.

Implementation of RGGVY

As on August 10, 2007, progress on the RGGVY scheme as reported by Ministry of Power, Government of India included the following:

- 42,984 villages have been electrified and 1,589,493 connections to households have been released;
- 321 projects, covering and 320 districts , have been sanctioned, at a cost of Rs 119,235.2 million;
- 28 states and their utilities have signed Memorandum of Agreement agreeing to the conditionalities for implementation of the programme as envisaged under RGGVY;
- Notices inviting tenders has been issued for 295 projects covering 294 districts, 70,194 un-electrified villages and 16,488,960 households, and
- Contracts have been awarded for 225 projects covering 224 districts covering 64,538 un-electrified villages and 12,387,170 households.

During Fiscal 2007, village electricity infrastructure was created under the RGGVY scheme in 26,073 villages, including villages in the states of Uttar Pradesh (15,025 villages), Bihar (7,609 villages), West Bengal (1,886 villages), Rajasthan (755 villages) and Uttaranchal (798 villages). (*Source: Ministry of Power website*).

OUR BUSINESS

OVERVIEW

We are India's principal electric power transmission company. We own and operate most of India's interstate and inter-regional electric power transmission system (the "ISTS"). In that capacity, as at June 30, 2007 we owned and operated 61,875 circuit kilometres of electrical transmission lines and 106 electrical substations. In Fiscal 2007, we transmitted approximately 298 billion units of electricity, representing approximately 45% of all the power generated in India *(Source: CEA Website, March 2007*).

We commenced our operations in Fiscal 1992 as part of an initiative of the Government of India to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us over the following years. For more details of our history, please refer to the section entitled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

We have since completed 101 transmission projects and schemes on our own, valued in the aggregate at approximately Rs. 251.81 billion. As at June 30, 2007, we had 45 transmission projects in various stages of implementation. Subject to government approvals, we plan to spend Rs. 550 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,000 MW, which would include our transmission system and others. The tariffs for our transmission projects are determined by CERC, pursuant to Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

We have also been entrusted by the GoI with the statutory role of Central Transmission Utility ("CTU"). In this role, we operate as one of the chief agencies responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate the provision to customers of non-discriminatory open access to available capacity in interstate and inter-regional transmission networks, including our own.

A crucial aspect of the operation of an electric power system is the management of the power flow in real time ("load despatch") with reliability and security on a sound commercial and economical basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("RLDCs") in each of the five regions into which India is divided for purposes of power transmission and regulation. As RLDC operator, we have modernised the regional and state load despatch centres and their communication networks, down to the level of individual substations. We undertook and completed this work under our ULDC ("Unified Load Despatch and Communication") Project. In order to optimise the monitoring and despatch of electricity flows at the national level, we are currently establishing a National Load Despatch Centre ("NLDC"), which we expect to complete in 2008. Presently, we are managing the National Grid with inter regional capacity of 14,100 MW, which shall be enhanced to more than 37,000 MW by 2012 *(Source: CEA Website, March 2007*).

We have taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. We developed the 2,000 MW Tala Transmission Project through a joint venture company (Powerlinks Transmission Limited) with 49% shareholding by us and 51% shareholding by The Tata Power Company Limited. We currently hold a 26% equity stake in Torrent Powergrid Limited and a 20.63% equity stake in Jaypee Powergrid Limited both of which are public-private joint ventures established for the development of dedicated private transmission lines. Our respective partners in these ventures are Torrent Power Limited and Jaiprakash Hydro-Power Limited.

Leveraging on our strengths, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to more than 90 clients in over 225 domestic and international projects. In our consultancy role, we also facilitate the implementation of various GoI-funded projects for the distribution of electricity to end-users, such as the Accelerated Power Development and Reform Programme ("APDRP") in urban and semi-urban areas and the Rajiv Gandhi Grameen Vidhyutikaran Yojana (the "RGGVY") in rural areas.

We have also diversified into the telecommunications business, by creating a telecommunications network principally using our overhead transmission infrastructure. We own and operate a fibre-optic cable network that as at June 30, 2007 was over 19,000 kilometres long and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.

In Fiscal 2007 we generated a total income of Rs. 40,823.09 million and profit after tax of Rs. 10,876.58 million. In Fiscal 2007, transmission and transmission-related activities constituted 80.51% of our total income, with the balance coming from our consulting, telecommunication businesses and other incomes. In the three months ended June 30, 2007, we generated a total income of Rs.10,509.33 million and profit after tax of Rs. 4,539.15 million. Our transmission and transmission related activities constituted 84.15% of our total income for the quarter ended June 30, 2007.

We have been designated a Mini-Ratna Category-I public sector undertaking since October 1998, which provides us with a greater delegation of powers to undertake new projects without Government approval, subject to an investment ceiling set by the Government. We have received the highest annual performance rating from the GoI in each year since Fiscal 1994, and the Prime Minister's award for performance for six out of the seven years to Fiscal 2006, (award winners for 2007 have not yet been determined). We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems.

The President of India, acting through nominees, currently holds 100% of the issued and paid-up equity capital of our Company. After the Issue, the President of India will continue to hold 86.36% of the diluted post-Issue paid-up equity capital of our Company. The GoI has the power to appoint all of our Directors.

We seek to operate our transmission system at high levels of efficiency. In Fiscal 2007, we maintained a system availability rate of 99.20%. In the three months ended June 30, 2007, our system availability rate was 99.52%. We have had no major grid disturbances since January 2003. The following table presents certain company-wide operating parameters for the periods indicated:

	Fiscal				**For the three months ended June 30,**
	2004	**2005**	**2006**	**2007**	**2007**
Transmission Network (circuit kilometres)	47,757	50,745	55,120	59,461	61,875
Substations (number)	82	85	93	104	106
Transformation Capacity (MVA)	46,461	49,442	54,377	59,417	61307
System Availability (%)	99.30	99.74	99.64	99.20	99.52

OUR STRENGTHS

We believe that the following are our principal business strengths:

Leadership position in Indian power transmission sector

We are India's principal electric power transmission company. We own and operate most of India's ISTS. In that capacity, as at June 30, 2007 we owned and operated 61,875 circuit kilometres of electrical transmission lines and 106 electrical substations. In Fiscal 2007, we transmitted approximately 298 billion units of electricity, representing approximately 45% of all the power generated in India. We currently develop most of the transmission projects associated with the Central Sector generation projects.

High operational efficiencies

We have maintained an average system availability of over 99% since fiscal 2002 and we have not had a major grid disturbance since January 2003. In order to ensure high rates of availability for our transmission systems, we monitor and maintain our infrastructure using modern techniques and technologies. Our levels of system availability allow us to earn additional income under certain incentive mechanisms built into our tariff structures. Since Fiscal 1994, we have been rated "excellent" by the GoI on an annual basis as a result of our achievement of performance targets set for us in memoranda of understanding that we agree periodically with the GoI. We have also won the Prime Minister's award for excellence in MOU performance for six out of the last seven years to Fiscal 2006, (award winners for 2007 have not yet been determined).

Established track record in expanding transmission systems

We have extensive experience and expertise in implementing new transmission projects and expanding India's transmission systems. During the eighth, ninth and tenth five year plans, we have added 9,724 circuit kilometres, 12,436 circuit kilometres and 19,172 circuit kilometres of transmission lines and 17, 14 and 36 sub-stations, respectively. During the tenth plan, we undertook 11 transmission projects associated with generation projects; 33 grid strengthening projects, two inter-regional system strengthening projects and three ULDC projects.

Our capabilities in this regard encompass all facets of transmission activities, from the conceptualizing to the commissioning of projects. We contract out the construction of our projects subject to our supervision and quality control. Our implementation abilities have also been recognized by the World Bank because of our success in achieving all development objectives of certain projects funded by them. We believe that our experience and expertise in project implementation will serve us well as we undertake substantial expansion in the coming years in furtherance of the GoI's Eleventh Five Year Plan.

Low operational risks in our core business

Many aspects of our core transmission business are characterised by low levels of risk. Our transmission tariffs are presently determined on a cost-plus basis and are intended to provide us with a 14% return on equity. Further, we have no direct competitors of significant size for our transmission business.

Diversified business portfolio

Because of our established track record and technical expertise, we have acted as a consultant on numerous domestic and international transmission- and distribution-related projects. We have also leveraged our nationwide transmission system to create a fibre-optic telecommunication cable network that as at March 31, 2007 consisted of over 19,000 kilometres and connected over 60 Indian cities, including all major metropolitan areas. In July 2006, we have also received a license to provide

telecommunication services to end users and are currently exploring options for providing services to the end users. Revenues from our consultancy and telecommunications business accounted for 7.44%, 5.43% and 5.48% of our total income in Fiscal 2007, 2006 and 2005 respectively. For the three months ended June 30, 2007, our revenues from our consultancy and telecommunications business accounted for 8. 70% of our total income.

Strong financial position

We have a strong financial position, which we believe will help us finance our expansion plans in the coming years. Since Fiscal 2001, our domestic bonds have been given the highest credit rating, AAA, by CRISIL and the rating LAAA by ICRA. As at June 30, 2007, our debt-equity ratio was 1.81:1. Our projects have also been regularly funded by loans from the World Bank and the Asian Development Bank.

Government support

We are wholly owned by the GoI and we occupy a key position in plans for the growth and development of the Indian power sector. Our planned transmission system investments have risen from Rs. 213.70 billion in the Tenth Five Year Plan, which ended on March 31, 2007, to Rs. 550 billion (subject to government approvals) in the Eleventh Five Year Plan, which commenced on April 1, 2007. We have been designated a Mini-Ratna Category-I public sector undertaking since October 1998. This designation is based on a government assessment of our skill and reliability as an institution, and empowers our Board to give final investment approval for our own transmission projects of up to Rs. 5 billion per project. Our ownership by the GoI facilitates the expediting of various approvals and support from various government agencies and bodies.

Skilled and experienced senior management team

Our senior management team is well qualified and experienced. We believe that our senior management's quality has played a key role in the growth of our business and in the development of our corporate governance methods, internal controls and accounting policies. In addition, the skills and diversity of our senior management team give us flexibility to respond to changes in the business environment.

Competent and committed workforce

We have been successful in attracting and retaining experienced staff in various areas, including operations, project management, engineering, technology, finance, human resources and law. We believe we have an employee team with a strong blend of experience and energy. We provide our employees with extensive in-house and external training opportunities.

OUR STRATEGY

Expand and strengthen our transmission network

The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,000 MW, which would include our transmission system and others. This would almost triple India's inter-regional transmission capacity within five years. We plan to invest Rs. 550 billion on transmission infrastructure during this five-year period, subject to government approvals. This includes 45 projects currently that we are currently implementing, which would increase our transmission lines by 30,536 circuit kilometres and transformation capacity by 29,420 MVA.

Maintain efficient operating performance

We intend to maintain transmission availability above 99%, optimise our operating costs, incorporate more energy-efficient technologies and minimize transmission losses. We intend to modernise our infrastructure and invest in advanced equipment and methods. We believe that our focus on modernising our transmission infrastructure and maintenance practices will increase the useful life of our systems, improve their operating performance and raise the efficiency of our capital expenditure.

Develop strong vendor network

We plan to invest Rs. 550 billion on transmission infrastructure during the five-year period through March 31, 2012, subject to government approvals. We expect to be aided in our investment plans by the pool of contractors and vendors that we have actively developed over the years. As most of the projects undertaken by us are executed by contractors and suppliers, we intend to further strengthen our vendor base in order to ensure that we have access to a sufficiently large base of vendors to achieve our expansion plans.

Take advantage of diversification opportunities

We plan to continue diversifying our business when opportunities are created by regulatory and economic reforms. We intend to continue to provide consulting services in both the domestic and international markets. We may seek to diversify our business by operating the transmission facilities of others on a concession basis and recently submitted an Expression of Interest in respect of the privatization by way of concession of the facilities and assets of the National Transmission Corporation of the Philippines. We intend to strengthen our telecommunication infrastructure by providing last mile connectivity to telecom operator customers. We also intend to participate more in the power distribution sector, especially in the APDRP and the RGGVY. We believe that business diversification initiatives will help us continue to improve our income and margin growth and help leverage our existing capabilities.

Emphasis on research and development

We intend to continue to engage in research and development to improve the performance of our transmission and telecommunication infrastructure and incorporate new technologies. We are in the process of establishing a "Centre for Power Transmission Research and Application", which will supplement the facilities of existing research institutions and provide additional opportunities for applied research in the power transmission sector. We believe that our emphasis on research and development will help us continue to improve our infrastructure and services.

Continue to invest in employee development

We intend to continue developing the capabilities of our employees through performance management systems, by recognising and rewarding employee performance and by strengthening our operational values among our employees. We intend to continue to provide training to our employees at various stages in their careers, in order to familiarise them with technological advances and up-to-date operational and management practices. We believe that our continuing initiatives will further enhance the capabilities and productivity of our employees and strengthen our position as a preferred employer.

Continue to collaborate with Customers

We intend to continue our collaboration and assistance to our key customers, the state electricity boards with a focus on upgrading their sub-transmission and distribution network. We enter into active discussions with the clients prior to implementing projects for customers such as SEBs and power generation companies to understand requirements and cater to specific needs of the customers.

Through various initiatives such as organizing workshops and training the SEB personnel, we also continue to actively engage with our clients and share our experience and expertise in areas of our core competence and strive to strengthen our position as a key supplier to the SEBs.

BRIEF HISTORY

In the 1980s, the GoI decided to form a national power grid that would pave the way for the integrated operation of India's various electric power transmission systems. Pursuant to that decision, on October 23, 1989 our Company was incorporated as the National Power Transmission Corporation, a government-owned, public sector enterprise.

Initially, our Company was engaged in the management of transmission assets owned by the central generating companies, including National Thermal Power Corporation Limited ("NTPC"), National Hydro Electric Power Corporation Limited ("NHPC"), North-Eastern Electric Power Corporation Limited ("NEEPCO") and Neyveli Lignite Corporation Limited ("NLCL"). In 1993, the Power Transmission Systems Ordinance was enacted, pursuant to which the right, title and interest of each of these power generating companies in power transmission systems, including main transmission lines, extra high voltage alternating current ("EHV") transmission lines, high voltage direct current ("HVDC") lines and substations, were acquired by the GoI and transferred to our Company. The employees of some of these generating companies who worked in their transmission division were also transferred to us. Later, similar asset transfers were made from other generating companies, increasing our transmission network.

From 1994 to 1996, we took over the operation of all five of the country's existing RLDCs in a phased manner. By Fiscal 2006, we had modernised the country's RLDCs and state load despatch centres and their communication networks, pursuant to our ULDC project. In order to optimise the monitoring and despatch of electricity flows at the national level, we are establishing an NLDC which we expect to complete in 2008.

For further details regarding our history, see the section entitled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

OUR OPERATIONS

Our Transmission Business

Our core business is the transmission of electric power. We own and operate a large network of transmission lines and infrastructure that constitutes most of India's interstate and inter-regional electric power transmission system and carries electric power across India.

The Indian power system has historically been divided into five regions for the planning and operation of electricity generation, transmission and distribution, namely the Northern, Southern, Eastern, Western and Northeastern Regions. In general, the Eastern and Northeastern Regions generate more electricity than they consume, and the other regions generate less electricity than they need. As a result, one of the overriding tasks of our transmission business is to move electricity from the high-generation Eastern and Northeastern Regions to the high-consumption Northern, Southern and Western regions. As the owner and operator of most of the ISTS, we expand the system progressively, connect new customers to the system and operate and maintain the system. We have also engaged in joint ventures with respect to certain transmission projects.

Constructing the ISTS

We acquired our initial network of assets in Fiscal 1992 and subsequently through the Power Transmission Systems Ordinance the GoI acquired and transferred the power transmission infrastructure of four of India's largest power generating companies to us. Thereafter, transmission assets from other central generating companies were transferred to us and we have subsequently expanded our transmission infrastructure ourselves.

Completed Projects

Since Fiscal 1992, we have completed 101 transmission projects and schemes, valued in aggregate at approximately Rs. 251.81 billion. We contract out the construction of most of our transmission projects to contractors subject to our supervision and quality control.

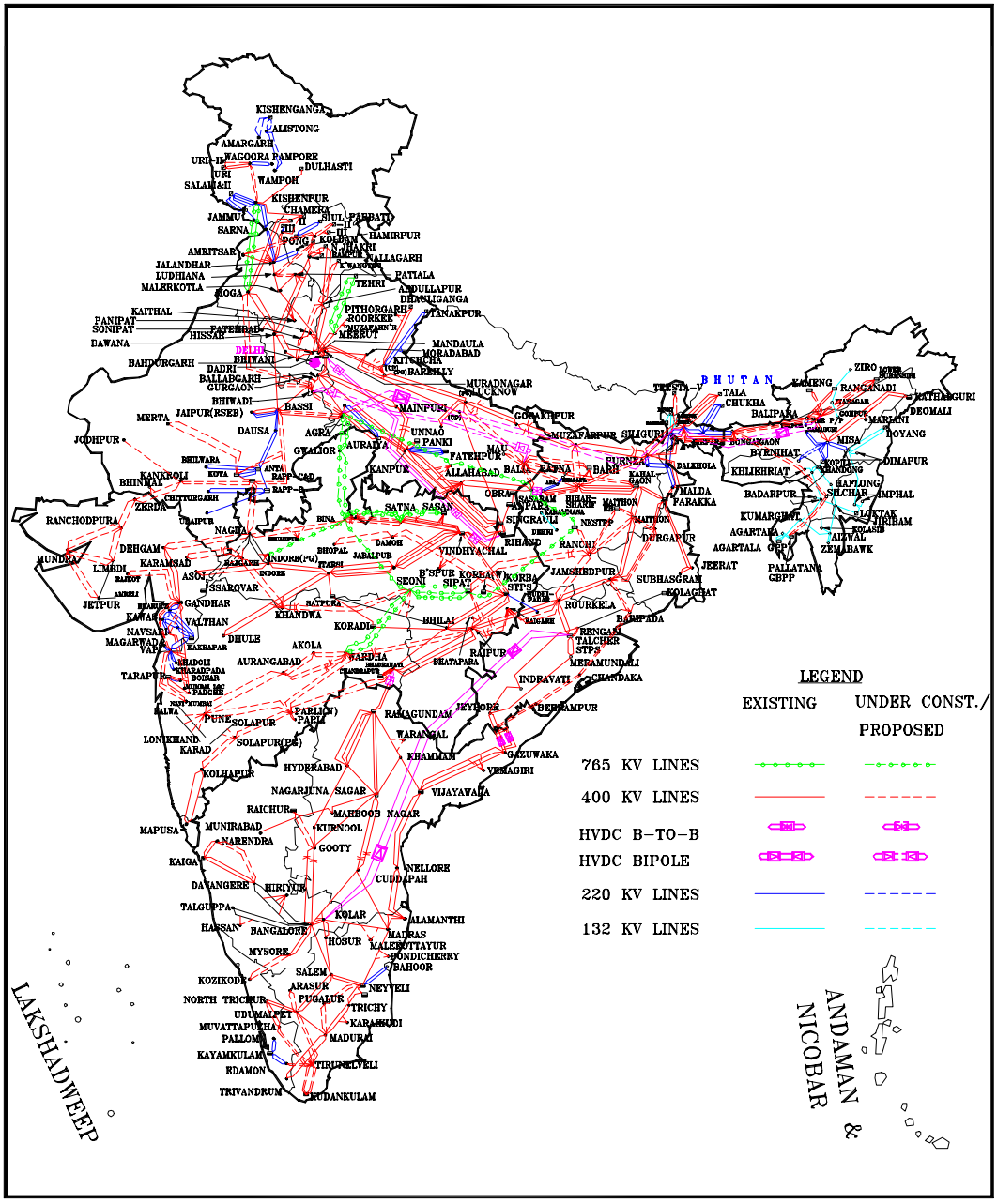
The following table sets forth certain information in respect of some of our larger or otherwise more notable completed projects:

(Rs. in millions)

Project	Project Cost as per tariff petition submitted to CERC	Date of Commissioning
System Strengthening Scheme –III in Southern Region	2,363	April 2007
System Strengthening Scheme in Eastern Region (formerly part of Tala Suppl.)	2,930	February 2007
Northern Region System Strengthening Scheme -II	2,038	December 2006
Dulhasti Combined Transmission System	5,069	October 2006
East-North Interconnector and Northern Region Transmission System associated with Tala HEP	5,220	August 2006
Tehri Transmission System	8,623	May 2006
Tala - Siliguri Transmission System	2,616	May 2006
Rihand - II Transmission System.	8,359	October 2005
Tarapur 3 & 4 Transmission System	2,510	August 2005
ULDC-Western Region	1,574	August 2005
Madurai – Thiruvananthapuram Transmission System	2,493	July 2005
ULDC-Eastern Region	2,835	June 2005
Raipur – Chandrapur Transmission System	2,478	May 2005
Augmentation of Capacity of Gajuwaka HVDC B/B Project	6,602	February 2005
ULDC –Northeastern Region	1,907	June 2003
East - South Interconnector (Talcher - II Trans. System)	30,046	April 2003
System Strengthening of Southern Region	3,450	February 2003
East - West Inter-regional Links (Raipur-Rourkela)	2,117	January 2003

POWERGRID TRANSMISSION NETWORK

The following map illustrates the locations of our completed projects and other major transmission assets:



Ongoing Projects

As at June 30, 2007, we had 45 transmission projects that are in various stages of implementation. These projects involve 30,536 circuit kilometres of transmission lines and 34 substations with a total power transformation capacity of 29,420 MVA. The total approved cost of these projects is Rs. 272,911million.

The following table sets forth certain information in respect of some of our larger or otherwise more notable ongoing projects:

(In Rs. million)

Project	Nature of the project	Expected date of commissioning[1]	Project costs as on July 31, 2007
Bina-Nagda transmission line	Grid Strengthening	March 2008	3,878[4]
Western Region System Strengthening Scheme-I	Grid Strengthening	November 2007	2,065
Transmission System associated with Rajasthan Atomic Power Project-5 & 6	Generation linked (Nuclear)	March 2008	5,098
Transmission System associated with Sipat Stage-I	Generation linked (Thermal)	Part commissioned. Balance by December 2007	23,311[5]
System Strengthening-VI in Southern Region.	Grid Strengthening	December 2007	1,137
Northern Region System Strengthening Scheme-III	Grid Strengthening	March 2008	2,657
Transmission System associated with Kaiga-3 & 4	Generation linked (Nuclear)	December 2007	5,883
Transmission system associated with Teesta-V HEP	Generation linked (Hydro)	November 2007	2,516
Upgradation of Talcher-Kolar HVDC Bipole Link	Grid Strengthening	December 2007	1,183
National Load Despatch Centre (NLDC)	Load dispatch	May 2008	450
Transmission System associated with Sipat Stage-II Supplementary	Grid Strengthening	June 2008	8,315
Transmission System associated with Kudankulam Atomic Power Project	Generation linked (Nuclear)	November 2008[2]	17,793
Transmission System associated with Neyveli Lignite Corporation-II	Generation linked (Thermal)	December 2007[3]	7,781
Transmission System associated with Barh Generation Project	Generation linked (Thermal)	September 2009	37,795
Northern Region System Strengthening Scheme-V	Grid Strengthening	June 2009	7,213

1. Our generation linked transmission projects are subject to the completion schedule of the generation projects
2. The associated generation project is likely to be delayed by 19 months.
3. The associated generation project is likely to be delayed by 14 months.
4. Revised Cost Approval (RCE) currently under our board approval
5. RCE submitted to GoI for Approval.

Future Projects

The GoI's Eleventh Five Year Plan commenced on April 1, 2007. This plan includes the goal of achieving a national power grid with inter-regional power transfer capacity of more than 37,000 MW. We plan to invest Rs. 550 billion on transmission infrastructure during this five-year period, subject to government approvals. Our expenditure will be made towards expanding our transmission network and grid strengthening. Efforts to strengthen the grid will include more closely integrated transmission planning, additional interconnections among various generating projects and more inter-regional transmission links and contingency arrangements.

In addition, we have been requested to prepare feasibility reports in respect of our anticipated role in the construction of transmission systems associated with the Ultra Mega Power Projects being developed by the MoP. For further details, see the section titled "Power Sector in India-Ultra Mega Power Projects" beginning on page 55 of this Red Herring Prospectus.

Project Implementation

Our project implementation capabilities encompass all facets of a project's development, from conceptualisation to construction to the commissioning of a project, at which point it can begin operation.

We have adopted an integrated project management and control system ("IPMCS") for the planning, monitoring and execution of projects. Under our project management system, various project implementation activities are broken down with identified key milestones to enable the monitoring and control of critical paths of implementation. Project procurement is divided into well defined contracts to be awarded through competitive bidding. Following the award of contracts, integrated plans govern the implementation of the project, including control of the quality of materials and work during construction. We have a pool of trained and experienced personnel having expertise in all areas of project implementation, including system planning, design, engineering, contracts management, project management, supervision of construction, testing and commissioning activities.

Set forth below is a summary description of how the implementation of our projects generally flows.

Planning & Conceptualization

On an ongoing basis, we interact with various departments of the GoI and with generating companies, traders and the state utilities, in order to plan and evaluate implementation of new transmission projects so as to ensure that the goals of adequacy, reliability and security of the electric power system are achieved. Among many other factors, our planning efforts take into account possible future transmission configurations for interconnected areas, optimal utilisation of rights of way, grid operational constraints, environmental and social effects and cost comparisons. Based on our ongoing planning, we are able to formulate views in respect of the appropriateness and feasibility of projects that have been conceived.

The conceptualisation of new power transmission projects is finalised by us based on overall transmission system requirements, in consultation with the CEA and other interested parties, including generators, intended beneficiaries, state transmission utilities ("STUs") and traders. Before the finalization of any new transmission project, the beneficiaries are identified and targeted, and the generating capacity that such project will service is allocated among the beneficiaries in accordance with the requirements and availability of the region. The entire tariff for the transmission system is shared by the beneficiaries. The tariff, which is set according to CERC regulations, is recovered from the beneficiaries irrespective of the actual transmission of power.

Our transmission projects fall into the following broad categories:

- Generation-linked transmission projects, to facilitate the transfer of power from a specific new interstate or inter-regional generation project to its intended beneficiaries;
- Grid-strengthening projects, to strengthen power transfer capacity and add to reliability and security; and
- Inter-regional transmission projects, to strengthen power transfer capacity between regions and allow for inter-regional power exchanges.

The types of projects identified above facilitate the development of integrated regional power grids and the national grid.

Upon the finalisation of a scheme, a Feasibility cum Detailed Project Report ("FR") is prepared. This report addresses the justification for the project, the scope of work, cost estimates, pricing, financing and other matters, and is prepared for the consideration of the competent approving authorities.

Investment Approvals

The GoI has delegated to our Board of Directors the power to approve certain capital expenditure without government approval. This is permitted for new projects, modernisation efforts, the purchase of equipment and similar matters, where the amount to be spent is up to Rs. 5 billion.

The GoI has also delegated to our Board of Directors the power to establish joint ventures and subsidiaries in India, with a per project limit on investment of up to Rs. 5 billion or 15% of our net worth, whichever is less, and an overall ceiling on investment in all such projects of 30% of our net worth.

GoI approval is required for all projects that entail investment of more than Rs. 5 billion. In such cases, the FR is submitted to the Ministry of Power. The FR is also reviewed by the Ministry of Finance, the Planning Commission, the CEA and other government departments. The investment proposal is thereafter discussed in a meeting of the Public Investment Board ("PIB"). After clearance of the proposal by the PIB, the proposal is put up to the Cabinet Committee on Economic Affairs ("CCEA") for GoI approval. After the approval of the project by the CCEA, we undertake the awarding of contracts through a competitive bidding process.

Design & Engineering

We have in-house competency in the design and engineering of EHV systems up to 800 kV AC, and HVDC systems up to 500 kV. We also have experience in the design and engineering of transmission lines and substations for different wind zones, climatic conditions, seismic zones, terrains, seashores and tough hilly terrain. We possess advanced software tools for electric system simulation studies and for the design of various kinds of towers, substation structures and foundations, including in regard to the electrical line parameters of transmission line and sub-station design, insulation co-ordination, grounding and other matters.

We are also finalizing, in association with a number of renowned international consultants, the design and technical specifications for an 800 kV HVDC system, which to our knowledge has so far not been implemented anywhere in the world.

Tendering process and award of contracts

Procurement requirements for a project are divided into a number of well defined contracts and are awarded on a competitive bidding basis. In each case, qualifying requirements for bidders are stipulated and the bids are evaluated by a tender committee. Award recommendations are put up for approval to the appropriate authorities consistent with the applicable delegation of powers in the Company. The highest authority for the approval of any award recommendation is our Board of Directors. In the case of contracts funded by multilateral agencies, the award recommendations are also sent to them to confirm that they have no objection.

The tendering process is subject to guidelines of the GoI; applicable guidelines of concerned multilateral funding agencies such as the World Bank and the Asian Development Bank that are financing the project; guidelines or similar terms set out in any applicable loan agreement; and our own Works & Procurement Policy and Procedures ("WPPP"), which were established to strengthen transparency.

Detailed engineering

After contracts are awarded, detailed engineering is carried out as per the tender specifications, site conditions and applicable domestic and international standards and practices. Drawings and related documents are either generated in-house or prepared and submitted by the contractor. These are checked and approved to ensure compliance to the stipulated technical specifications and requirements and the site condition before the project is taken up for construction. Only type-tested equipment conforming to technical requirements and applicable national and international standards are put into service as part of our transmission line and substation infrastructure.

Over the years, we have standardized most of our designs and technical specifications to save time on detailed engineering in respect of items which are of a repetitive nature.

Quality assurance and inspection

In order to ensure the quality implementation of our various projects, we have adopted a total project quality assurance and inspection concept. We are certified for PAS 99:2006, a relatively new certification that integrates the requirement of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems. We have been certified for compliance to these standards and specifications by BSI Management Systems.

We specify quality requirements in our technical specifications for projects, and vendors and sub-vendors are selected based on stipulated qualifying and technical requirements. Goods and equipment are manufactured as per the agreed quality plan, and there are check points to confirm that technical requirements are being met at different stages of manufacturing. The process is also monitored for quality assurance during manufacturing. Major components and raw materials are sourced from approved sub-vendors of acceptable quality. We also carry out quality surveillance and process inspection periodically at the manufacturing facilities of vendors. The final product is tested according to national and international standards before it is dispatched to the project site for installation. We also implement agreed field quality plans to ensure quality during installation and the testing and commissioning of goods and materials at the site. We have inspection offices around the country so that we can make timely inspections. We have also implemented a web-based inspection management system for our total inspection process.

Project monitoring

For the purpose of project implementation as well as operation and maintenance, our operations are divided on a regional basis. While the awarding of major contracts is done from our corporate headquarters, post-award contract management is done by our regional offices. A centralised Monitoring Group, located at our corporate and regional headquarters, monitors the implementation of projects and keeps management informed about progress and critical areas requiring their intervention.

Connecting Customers

As the owner and operator of most of the ISTS, we provide services to, among others:

- STUs, state power departments, interstate generating utilities and interstate private generating utilities including captive generators;
- Private distribution licensees; and
- directly connected customers, including industrial consumers of electricity whose premises, due to the size, technical characteristics or location of their electricity demands, are directly connected to the transmission system.

When we receive an application for connection and use of the ISTS from any of the above customers, we assess whether existing transmission assets are adequate for their plans or whether the addition or augmentation of transmission assets will be required. We respond to the customer through an offer of terms and conditions in which we estimate the cost of power system studies, wherever required, and list the additions or augmentations of transmission assets that will be required to provide connection to the ISTS. Customers pay transmission charges in respect of their connection, as more fully described below.

Transmission Agreements

We enter into a standardised agreement with each customer that we refer to as the Bulk Power Transmission Agreement ("BPTA"). We enter into BPTAs with each of our regional constituent

customers (usually SPUs) for transmission of power from central sector generating stations through identified transmission assets. Under the BPTA, we are required to maintain the transmission assets as per the guidelines issued by the Regional Power Committees and the RLDC. The BPTA stipulates various terms and conditions for the payment of charges, billings and payments and energy accounting, as well as other obligations of the parties. In the case of inter-regional transmission systems, the sharing of monthly fixed charges between the various customers shall be made on the basis of notifications issued by the CERC from time to time. The BPTA establishes certain mechanisms to ensure payment of transmission charges by our customers including opening of letters of credit by the customers. In the event our customers fail to pay the transmission charges, we have the right to discontinue or regulate power supply to such customers, subject to guidelines issued by the CERC.

A BPTA is generally signed for a period of 5 to 25 years with a provision that after expiry all terms and conditions shall continue until the BPTA is reviewed, extended or replaced by another agreement. There is also a provision stating that new assets become part of the same agreement for the purpose of payment of charges.

Tariff Mechanism

Tariff Regulations

Under the Electricity Act, 2003, the GoI has the power to issue tariff policy. CERC determines particular transmission tariffs, guided by the tariff policy and the provisions of the Act. CERC has issued regulations setting forth certain parameters for all tariffs. We are permitted to charge our customers within the parameters set forth in specific tariffs applicable to our network.

Tariff Determination Process

Pursuant to the Electricity Act and CERC regulations, a transmission licensee such as our Company will seek a tariff determination in respect of each of its separate transmission projects. According to CERC regulations, the tariff will be set at a level intended to compensate the licensee for the construction of the project and for operating the project thereafter. A licensee may seek a provisional tariff prior to completion of a project, and a final tariff once all construction costs are known.

The process by which a tariff is set is public and follows established procedures, and interested parties can challenge the level of tariff we seek. Ultimately, CERC issues a tariff order, which stipulates an annual transmission service charge ("ATC") that may be levied in the relevant region each year for a predetermined block of time. Presently, the tariff norms notified by CERC are applicable for a period of 5 years with effect from April 1, 2004. Tariffs determined in relation to a particular project are expected to be reviewed on commencement of a new general tariff block, the next of which is currently scheduled to commence on April 1, 2009.

The tariff assumes that a project's transmission capacity will be made available during the operation of the project. That capacity is allocated among customers, and the tariff amount to be paid to the transmission licencee is allocated among the same customers in proportion to their capacity allocations. As such, tariffs are allocated among the customers and paid by them based on the capacity allocation and not on the basis of capacity used in a particular period. Therefore, irrespective of the electricity drawn by a beneficiary in a particular month, the beneficiary would be required to pay the fixed tariff to the transmission licencee. For billing purposes, we pool our tariffs on a region-wise basis.

Tariff Structure (Northern, Southern, Eastern and Western Regions)

CERC establishes ATC based on a cost-plus-tariff based system. The ATC is set at a level which generally compensates the licensee for the cost of the project and allows the licensee to recover a pre-

determined return on equity, cost of debt service, compensation for operations and maintenance, depreciation, advance against depreciation (AAD) and interest on working capital. The present ATC norms are intended to cover, among other items:

- Actual capital expenditure up to the date of commencement of commercial operation. Capital expenditure incurred subsequently is also eligible, subject to a check for prudence by CERC;
- Return on equity of 14% on the equity component of the investment in the project;
- Interest on outstanding debt;

  The recovery of our prescribed rate of return on equity and the recovery of interest on outstanding debt is dependent on the debt-equity ratio for the project, which is determined as follows:

  - Projects under commercial operation prior to April 1, 2004: The debt-equity ratio for such a project is considered to be equal to the debt- equity ratio as was determined by CERC on March 31, 2004. For additional capitalisation of such project on or after April 01, 2004, the equity component is considered to be the lesser of (a) 30% of the additional capital expenditure, (b) the equity amount approved by a competent authority or (c) the actual equity employed.

  - Projects approved prior to April 1, 2004 and completed after April 1, 2004, or projects approved after April 1, 2004: The debt-equity ratio for such projects is considered to be 70:30. If the equity deployed is less than 30%, the actual debt-equity ratio is considered. If the equity deployed is greater than 30%, the higher equity component is acceptable subject to CERC being satisfied that the deployment of equity at the higher rate is in the interest of general public, otherwise the equity component is restricted to 30% of the total project cost.

- Depreciation is charged on the straight line method based on the technical life of the assets as prescribed by CERC and not at the rates prescribed in the Companies Act. During the moratorium period of the loan taken out to finance a project, the normative depreciation charged is considered to go towards payment on the loan in that period. Upon repayment of the entire loan, the remaining depreciable value of the relevant assets is spread over the balance of the useful life of assets. We break up our project costs into five major asset classes, including land, which is not depreciable. Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

  - transmission lines – 35 years;
  - substations – 25 years;
  - buildings and civil works – 50 years; and
  - power line carrier communications (PLCC) – 15 years

- An "advance against depreciation" ("AAD") to facilitate loan repayments. Because our loans are generally of shorter duration than the technical lives of our assets, amounts paid to us in respect of depreciation on such assets are generally insufficient to cover our debt service in respect of such assets. Advances against depreciation allow us to cover such costs. The advance is calculated assuming a 10-year loan repayment schedule. The maximum amount we can charge under AAD is the lower of the following:

  - The actual loan amount repaid during the year minus depreciation charged during that particular year; or
  - One tenth of the original loan amount minus depreciation charged during that particular year

- Operation and maintenance expenditure is based on the number of circuit kilometres of transmission lines and the number of bays in substations multiplied by normative rates notified by CERC.

- Interest on working capital. Working capital consists of (i) operation and maintenance expenditure for one month, (ii) an amount for maintenance spares (1% of the total gross block on the date of commercial operation of the asset) and (iii) receivables equivalent to two months' average billing calculated on a normative availability level. The rate of interest on working capital is equivalent to the prime lending rate of the State Bank of India as on the first day of the fiscal year in which the project is declared to be under commercial operation; for projects already under commercial operation at the time of commencement of the current block period, the rate will be based on the rate on the first day of the current block period, which is currently April 1, 2004.

- An incentive is also available to us, based on the availability of our transmission lines beyond the target availability prescribed for such lines. The target availability prescribed for an alternating current system is 98% and for an HVDC system is 95%. The incentive is allowed at 1% of equity for each percentage point of increase in annual availability beyond the target availability, and calculated in following manner:

- Incentive = Equity (Annual availability – Target availability)/ 100

- Incentive payable to us is shared by long-term customers in the ratio of their average allotted transmission capacity for the financial year.

We are also penalised if we operate our transmission lines below their target availability. Customers' recovery of ATC for availability below the level of target availability is on pro-rata basis. At zero availability, no ATC is payable;

- Reimbursement of income tax payable by us on income streams from our core business; and

- Reimbursement or payments for fluctuations in exchange rates for offshore borrowings, recoverable on a year-to-year basis through imputed additional Rupee liability in respect of payment of interest and the repayment of principal (with any gains from fluctuations reimbursable to our customers).

Our customers can save on their charges by making timely payments, and may face late charges if their payments are delayed.

Tariff Structure (Northeastern Region)

For the states of Assam, Tripura, Meghalaya, Manipur, Arunachal Pradesh, Mizoram and Nagaland in the Northeastern Region, CERC maintains a tariff based on the Uniform Common Pool Transmission Tariff (" UCPTT") system, which was inherited from NEEPCO and NHPC at the time of transfer of their transmission assets to us. Under the UCPTT system, the tariff rate is derived by pooling the ATCs for all the central sector transmission systems and some of the state owned transmission systems that have been identified as being used for central sector power. It consists of the following three components:

- Return on investment at 13%;

- Depreciation at the rate of 5.27% for transmission lines and 7.84% for substations; and

- Operation and maintenance expenditure at the rate of 2% of gross block.

The rate is derived by dividing the ATC by the normative projected energy generated by the central sector generating station in the region. The last updated UCPTT rate was in 1998, and was Rs 0.35 per unit, based on the investment of our Company in the Northeastern Region and the state utilities in the region. This rate is still applicable during the 2004-2009 block. We share the UCPTT with state utilities in the Northeastern Region. Our share in the UCPTT is, from April 2004 to May 2004, Rs. 0.33853696 per unit of energy transmitted and the latest investments made; from June 2004 to December 2004, Rs. 0.33690816 per unit of energy transmitted and the latest investments made; and from January 2005 to March 2007, Rs. 0.33465764 per unit of energy transmitted and the latest investments made.

CERC is presently considering changing the tariff mechanism for the Northeastern Region from the UCPTT system to a system based on the CERC Tariff Regulations.

Tariff Sharing Mechanism

The ATC is recoverable based on the prescribed target availability of transmission lines. Transmission charges are billed monthly. The mechanism for sharing ATC has been laid out by CERC in its tariff norms issued on March 26, 2004 and subsequent amendments thereto. It broadly comprises the following:

- Intra-regional transmission projects: ATC for an intra-regional transmission project (net of adjustments for the recovery of transmission charges under the open access system) is shared by each long-term transmission customer in proportion to its allocated share of in the total capacity for such project.

- Inter-regional transmission projects: ATC for an inter-regional transmission project is shared as follows:

    - For a customer having capacity allocation directly from a central generating station located in another region, allocation of the ATC is in proportion to its allocated share in the total capacity for such project;
    - After deducting the ATC allocated to customers (as described above), the balance of the ATC (net of adjustments for the recovery of transmission charges under the open access system) is shared between the two concerned regions for the project equally. Such charges, as allocated to a region, is shared by long-term transmission customers in the region to cover the costs of reliability support in proportion of their respective allocated capacity of the regional transmission system.

Operating and Maintaining the ISTS

We carry out the day-to-day operations of the ISTS. We take continuous actions regarding operation and maintenance to seek to ensure compliance with prescribed standards as well as to achieve high availability of the system for uninterrupted power supply to customers.

Maintenance of the ISTS involves the routine inspection and overhaul of transmission system assets and the replacement of components. Condition assessment and monitoring techniques are used to help optimise maintenance intervals and reduce system outages. We have developed flexible working practices to take advantage of the system conditions for day-to-day maintenance work and also modify our annual maintenance programme according to generation maintenance schedules. We also use techniques such as live-line working to enable certain types of maintenance to be carried out without taking transmission lines out of service. Emergency restoration systems ("ERSs") are used for early restoration in case of natural disasters and other exigencies.

Renewal of the ISTS involves the refurbishment or replacement of transmission system components. We seek to maintain inventories at optimal levels for system requirements. We plan the renewal

program through assessments of plant and equipment conditions, reliability and life expectancy. Part of the ISTS was constructed in the 1980s and 1990s and consists principally of major assets with technical life of between 25 and 35 years. The combination of these factors is taken into account in planning the renewal program.

Joint Ventures

We have taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. We have developed the 2,000 MW Tala Transmission Project through a joint venture company (Powerlinks Transmission Limited) with 49% shareholding by us and 51% shareholding by The Tata Power Company Limited. The joint venture i.e., Powerlinks Transmission Limited, operates and maintains the project, whereby power generated in the neighbouring country of Bhutan and in the Eastern Region of India is transmitted over 2,332 circuit kilometres of power lines to the Northern Region of India.

We currently hold a 26% equity stake in Torrent Powergrid Limited and a 20.63% equity stake in Jaypee Powergrid Limited both of which are public-private joint ventures established for the development of dedicated private transmission lines. These two joint ventures are in the process of obtaining their licences from CERC. Our respective partners in these ventures are Torrent Power Limited and Jaiprakash Hydro-Power Limited. The joint venture with Torrent Power Limited consists of 496 circuit kilometres of transmission line and 1 sub-station with a capacity of 1,100 MW and is expected to be completed by Fiscal 2010. The joint venture with Jaiprakash Hydro-Power Limited consists of 468 circuit kilometres of transmission line with a capacity of 1,000 MW and is expected to be completed by Fiscal 2011.

Additionally, our Company in its Board Meeting dated August 14, 2007 has approved a joint venture with Infrastructure Leasing and Finance Services Limited on a 50:50 participation basis for taking up the development of transmission/sub-transmission projects in various states of India and outside India.

Our Other Roles in Transmission

As the CTU

As the CTU, we participate in the following activities:

Undertaking the transmission of electricity through the ISTS;

- Planning and coordination relating to the ISTS, including coordination among state transmission utilities, the GoI, state governments, generating companies, the regional power committees, the CEA, transmission licensees and any other parties deemed appropriate by the GoI;

- Ensuring development of an efficient, coordinated and economical interstate transmission lines for the smooth flow of electricity from generating stations to load centres; and

- Providing non-discriminatory open access to our transmission system for use by any licensee, generating company or consumer as and when such open access is required by the applicable regulatory commissions in the various Indian states.

Open Access

The Electricity Act, 2003, requires transmission utilities to provide customers with non-discriminatory open access to capacity, as available, in the utilities' transmission networks. CERC has issued regulations in respect of open access and instructed us, as the CTU, to formulate a detailed procedure

to facilitate the open access of the ISTS. In line with CERC open access regulations, we provide the following two types of services to open access customers:

- *Short Term Open Access.* Under this category of service, access is provided for a maximum period of three months. Access is available on one of the following bases: advanced reservation (three months in advance); first-come-first-served; day ahead; or same-day. The nodal RLDC is entrusted with the responsibility of short term open access application processing and scheduling, while making sure that the provision of short term open access applied for will not affect the security of the grid. We charge for short term open access at rates equal to 25% of our applicable regular fixed charges for regional access and 50% of our applicable regular fixed charges for inter-regional access. We retain 25% of the short term open access charge and pass 75% of the charge on to our regular customers in the form of rebate adjustments to their bills. However, CERC is presently considering the removal of the short term open access charges.

- *Long Term Open Access.* Under this category of service, open access services are made available to customers located anywhere in the country for a period of not less than 25 years. Any required augmentation of the transmission system must be done in consultation with us. The customer is also required to enter into agreements with generators and other relevant utilities.

Grid Management and Load Despatch Function

A crucial aspect of the operation of an electric power system is the management of load despatch in real time with reliability and security on an economical basis. We have modernised the existing five RLDCs and state load despatch centres and their communication networks, down to the level of individual substations. We undertook and completed this work under our ULDC Project. We are currently establishing a National Load Despatch Centre ("NLDC"), which we expect to complete in 2008.

Based on the declared capacity of interstate generating stations and the entitlements of states/ beneficiaries, daily generation schedules are prepared. Deviations from these schedules by either generators or customers attract unscheduled interchange ("UI") charges.

In certain circumstances, including in the case of unscheduled demand or unscheduled supply, there can be mismatches of demand and supply of electric power across our system. In such circumstances, the ISTS may be put under strain, and our Company, acting as the load despatch manager, may instruct generators to curtail their generation or load centres to refrain from drawing the power they are seeking to draw, notwithstanding their regular contract arrangements.

Role in Distribution and Rural Electrification

In general, "distribution" refers to the movement of electric power after it leaves transmission and moves downstream towards consumers. The electric power distribution system in many parts of India is in need of modernisation, capacity expansion and sectoral reform. The GoI has taken a number of initiatives to improve electric power distribution in general and rural electrification in particular. One of these is known as the APDRP and another is known as the RGGVY.

Under the APDRP, we have been appointed as an Advisor-cum-Consultant ("AcC"), and in that role we are consulting on and monitoring the development of 178 electricity distribution schemes spread over 18 states, covering urban and semi-urban areas. We are also implementing distribution improvement schemes in seven of those states, namely Bihar, Goa, Gujarat, Meghalaya, Uttar Pradesh, Tripura and Mizoram. We implement these schemes by following a process that includes design, engineering, the awarding of contracts, inspection and monitoring.

Under the RGGVY, we have entered into agreements to implement rural electrification projects on behalf of SPUs in nine states, namely Bihar, Uttar Pradesh, West Bengal, Gujarat, Rajasthan, Orissa, Chattisgarh, Assam and Tripura. These projects entail the progressive provision of infrastructure for approximately 88,000 villages in 68 districts. Through June 30, 2007 we have implemented the electrification of over 18,450 villages in the states of Bihar, Uttar Pradesh, West Bengal, Gujarat and Rajasthan.

The GoI finances the APDRP and the RGGVY. We are paid for our services under each programme, but we do not make our own investments in any of these schemes or projects. In instances where we are implementing a scheme or project, we are typically paid the full amount covering the project cost plus an additional amount for our fee. We then pay the contractors, suppliers and others who contribute to the implementation of the scheme or project.

Our Other Businesses

Consultancy

Since Fiscal 1995, we have provided transmission-related consultancy advice to approximately 90 clients in the context of over 225 assignments, both domestically and internationally. These consultancy services include system engineering and feasibility studies, the review of load despatch and communications systems, contract and procurement services, turnkey execution of transmission and sub-transmission projects, supervision of rural electrification projects, the implementation of intrastate availability-based tariffs and the preparation of distribution code.

We acquire our consultancy assignments through bidding processes, from marketing and from potential clients approaching us. We take on a wide variety of assignments, so long as we believe we have the in-house expertise needed to provide assistance. We staff our assignments with teams of specialists from throughout our organisation. Employees take on consulting duties that fit within the areas of expertise they have developed by working in our core business. A central department coordinates, facilitates and supports service delivery.

Our domestic clients include almost all of the state power utilities in India, among others. We have undertaken and are currently undertaking international consulting assignments in Nepal, Bhutan and Afghanistan. Our assignments tend to fall into one of three broad categories:

- Work under the APDRP and the RGGVY;
- The execution of transmission- and communication system-related projects on a turnkey basis; and
- Technical consulting assignments for Indian utilities and utilities in other countries.

We undertake assignments only when their funding is fully provided for. We are paid part of the project cost/consultancy fee in advance and the balance either in milestone-based payments or in regular periodic payments upon our raising of the invoice. In Fiscal 2006, income from our consultancy business was Rs. 1,549.87 million. In Fiscal 2007, income from our consultancy business was Rs. 2,259.97 million. In the three months ended June 30, 2007, our income from our consultancy business was Rs. 597.14 million.

We seek to leverage our experience in the power transmission sector to continue to expand our consultancy operations in India and abroad.

The following table sets forth certain information in respect of a selection of our larger or otherwise more notable consultancy assignments:

Assignment	Client	Year of Award
Completed:		
Turnkey execution of transmission line from Indra Sagar to Indore	MPSEB	Fiscal 2004
Strengthening of sub-transmission scheme in Bihar	BSEB	Fiscal 2004
Turnkey execution of 400 kV DC Vishnu Prayag-Muzaffarpur transmission line	UPPCL	Fiscal 2003
Augmentation of sub-transmission and distribution system in Northern Goa	Electricity Department of Goa	Fiscal 2003
Turnkey execution of 220 kV transmission line and upgrading of Tivim substation	Government of Goa	Fiscal 2002
Turnkey execution of 110/11 kV substation and LILO line at Pillaithiruvasal, Kairaikal	Pondicherry	Fiscal 2000
Ongoing:		
Turnkey Execution of 400 KV D/C Transmission System from Pallatana (Tripura) to 400 KV Powergrid Station at Bongagoan	OTPC	Fiscal 2007
Construction of NLDC at Thimpu in Bhutan	Bhutan Power Corporation	Fiscal 2007
Strengthening of sub-transmission scheme under Phase II, Part 1	MOP, Government of Bihar and BSEB	Fiscal 2007
Field survey and preparation of bid documents for Turkmenistan-Sheberghan transmission line	AEAI/USAID	Fiscal 2007
Establishment of SLDC at Rishikesh and two sub-LDCs at Kashipur and Dehradun	UPTCL	Fiscal 2006
Engineering services for procurement of OPGW for Pul-i-Khumri-Chimtalah line	Ministry of Energy and Water, Afghanistan	Fiscal 2006
Turnkey execution of 400 kV transmission system	WBPDCL	Fiscal 2006
Accelerated electrification of villages and rural households in Uttar Pradesh	Poorvanchal Vidyut Vitran	Fiscal 2005

Telecommunication

We have diversified into the telecommunication business by creating a telecommunication network principally using our overhead transmission infrastructure. We own and operate a fibre-optic cable network that as at June 30, 2007 consisted of over 19,000 kilometres and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.

Our telecommunication network benefits from the extensive geographic reach of our power transmission network. Our telecommunication network covers substantially all the main territories of India. In addition, we are currently one of the few telecommunications network providers that has a presence in remote areas of India, such as Jammu & Kashmir, Himachal Pradesh and the North Eastern region (Assam, Manipur, Meghalaya, Nagaland and Tripura).

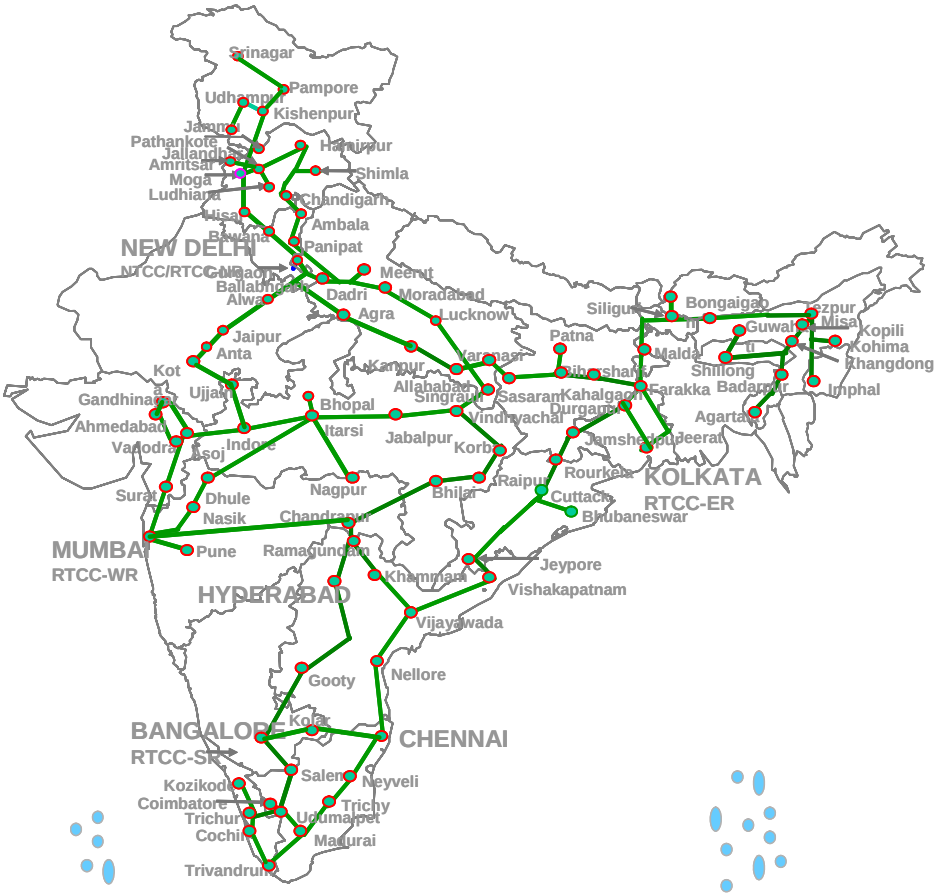
The total capital expenditure approved by the Cabinet Committee on Economic Affairs ("CCEA") for the establishment of our telecommunications network is Rs. 9,342.3 million. Beyond this, further capital expenditure will be governed by market requirements.

In Fiscal 2007, income from our telecommunication business was Rs. 773.02 million and the loss (before interest and tax) was Rs. 37.28 million. Losses were principally the result of financing and depreciation charges, which were high because the business has required significant investment. As at June 30, 2007 income from our telecommuncations business was Rs. 314.75 million, and Profit (before interest and tax) was Rs. 90.92 million. Orders on hand for the telecoms business as at June 30, 2007 were approximately Rs. 2,498.40 million.

Our telecom customers lease point-to-point bandwidth on our telecom network pursuant to capacity agreements that are essentially service agreements. Normally, such agreements are for a period of one year with provisions for extension on mutually agreed terms and conditions.

We have been granted the Infrastructure Provider-I ("IP-I") and Internet Service Provider Category-A ("ISP-A") licences. In July 2006 we acquired a National Long Distance ("NLD") License, which increases our target market by enabling us to offer our services to non-licensed service providers such as entities in the corporate, government and defence sectors. Since then, we have added such end-user customers as the Indian Army, Indian Intelligence Bureau, Central Reserve Police Force, National Infomatics Centre and a number of corporations, including Infosys Technologies Limited and Ericsson India Private Limited. Under our NLD License, we may participate further in the national long distance business through tie-ups with other telecom service providers.

A map of our fibre-optic network is set forth below:



RESEARCH AND DEVELOPMENT

We engage in research and development to improve the performance of our transmission system, optimise costs and incorporate new technologies. Given the diverse climatic conditions and terrains in India, we believe we have developed capacities for innovation, adaptation and problem-solving that lend themselves to research and development activities. Our R&D efforts have helped us devise, for example, transmission towers with reduced right-of-way requirements, use of high temperature endurance conductors, remote-controlled substations, compact substation layouts and the design and implementation of 800 kV HVDC lines.

Our research and development activities include a mix of in-house activity and project-managed, outsourced activity with various Indian universities and technical institutes, and others.

We are in the process of establishing a "Centre for Power Transmission Research and Application", which will supplement the facilities of existing research institutions and provide additional opportunities for applied research in the power transmission sector. An advisory body consisting of experts from power utilities, research and academic institutions and domestic and international consultants has been constituted to facilitate the adoption of new technologies for the construction, operation and maintenance of electric power transmission systems.

HUMAN RESOURCES

We believe that our employees are a key contributor to our success. Our success depends to a great extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place emphasis on the human resources function in our organization. We recruit our employees through open advertisements. We focus on the skills of our employees and ensure that regular training is provided to them at all levels.

The table below sets for the number of our permanent employees for the most recent three fiscal years and the three months ended June 30, 2007:

	As at March 31,			June 30,
	2005	2006	2007	2007
Number of permanent employees	6,881	7,101	7,427	7,475

Substantially all of our employees at the workman level are affiliated with labour unions. In recent years, we have had no instances of strikes or labour unrest. We believe that we have harmonious relationships with our worker unions. Most of our establishments have unions that are registered under the Trade Union Act 1926. These unions are affiliated with one of the major central employee federations, namely the Bharatiya Mazdoor Sangh, the Center for Indian Trade Unions and the Indian National Trade Union Congress.

The wages that we pay to our workers and the salaries that we pay to our management staff are revised periodically. There was a wage and salary revision, which applies to all employees, due on January 1, 2007. This salary revision is currently being processed. We have made provisions for payments in respect of two salary increases, which will be backdated to January 1, 2007 when it is finally implemented.

ENVIRONMENTAL AND SOCIAL POLICY

National environmental standards in India are issued by the Central Pollution Control Board and the Ministry of Environment and forest and are enforced by various pollution control boards and pollution control committees. Transmission line projects are out of the purview of the Environment (Protection) Act, 1986 and the Environment Impact Assessment notifications of 1994 and 2006, except in the districts of Alwar in Rajasthan and Gurgaon in Haryana. However, approval under the Forest (Conservation) Act, 1980 is required when our lines pass through forest areas.

We believe that in providing our services we must address rising expectations of a cleaner, safer, and healthier environment for everyone. In order to deal with environmental issues effectively, we have implemented detailed guidelines known as our Environmental and Social Policy & Procedures (the "ESPP"). We developed our initial ESPP in 1998, following extensive consultation among government agencies at the national level, multilateral funding agencies, state utilities, non-governmental organisations and other parties, including through public meetings. We updated and modified the ESPP in 2005 in order to address new enactments, requirements, guidelines and practices.

The ESPP is based on the principles of avoidance, minimisation and mitigation. It outlines our approach and commitment to deal with environmental and social issues relating to our transmission projects, and lays out management procedures and protocols to mitigate environmental and social concerns. The ESPP provides a framework for the identification, assessment and management of environmental and social concerns at both organisational and project level. The ESPP spells out its commitment to ensure total transparency through a well defined public consultation process as well as the dissemination of relevant information about a project at every stage of its implementation.

Our updated ESPP has been reviewed by an independent committee of eminent environmentalists, social scientists of international repute and representatives nominated by multilateral funding agencies. The committee has completed its review of the updated ESPP, keeping in mind international best practices, and shall be overseeing its compliance.

INSURANCE

We maintain a self-insurance scheme to cover ourselves against a substantial portion of our business risks. Under this scheme, we contribute an amount equal to 0.1% of our gross block of assets (except for valve halls of HVDC Bi-pole, HVDC equipment and SVC substations) each year into a self insurance reserve that we account for under our reserves and surplus. In Fiscal 2007, our self insurance reserve stood at Rs. 1,324.40 million. As at June 30, 2007, our self-insurance reserve was Rs. 1,383.10 million. We also maintain insurance policies with outside insurers in respect of risks to certain critical equipment and other selected risks. We insure all our HVDC systems under an Industrial All Risks ("IAR") policy. Certain of our telecom assets are insured against fire damage. We have various other insurance policies, including policies against fire and certain risks of theft. We believe that our self insurance reserve and outside insurance policies provide us with a prudent level of insurance against risks. However, we cannot assure you that if we suffer material losses our self insurance and insurance arrangements will be sufficient to cover those losses.

COMPETITION

Currently, we are the dominant provider of interstate power transmission in India. We carry approximately 45% of the total power generated in India.

Since 1998, the Indian power transmission sector has been open, as a matter of law and regulation, to possible investment by private entities, domestic and international, as transmission licencees. In 2000, the GoI issued guidelines for private sector investment in power transmission. Such investment was permitted either through a joint venture with our Company for the provision of interstate or inter-regional transmission services (with the tariff for the projects undertaken by such joint ventures to be formulated on a cost-plus basis), or in the form of an independent private transmission company ("IPTC") (with the tariff for the projects undertaken by such IPTCs to be formulated based on competitive bidding). Thereafter, we invited expressions of interest from private parties in possible joint ventures, which led to our joint venture with The Tata Power Company Limited in the Tala Transmission Project. In April 2006, the GoI issued tariff-based competitive bidding guidelines for transmission services and also issued guidelines for encouraging competition in the development of transmission projects.

In our view, the need for power transmission in India is sufficiently extensive that the emergence of competitive bidding for some projects and the involvement of private entities in projects is likely to be of benefit to the country and unlikely to create material competitive disadvantages for us. Nevertheless, there can be no assurance that increased competitive bidding or increased private participation will not have a material adverse effect on us. Some large Indian business houses already have a presence in the Indian power sector, and may seek to expand their operations in the transmission sector. The transmission sector could also attract increased investment from international companies.

Our consultancy business is subject to competition from various competitors in India and abroad.

In our telecommunication business, we are subject to broad and intense competition for the provision of telecom bandwidth and value-added services, particularly from telecom companies with geographically extensive networks.

COLLABORATIONS

We do not have any collaborations, performance guarantee or assistance in marketing by the collaborators.

RIGHTS OF WAY, LAND AND BUILDINGS

We generally do not own the land under our transmission lines and towers, but instead rely on rights of way over the land of others. Once we have determined our preferred route for a new transmission line, we exercise powers delegated to us under relevant laws to establish a right of way and then begin construction. We can approach local authorities for legal action if our way is obstructed. Our right of way generally cannot be challenged. We are required to pay compensation and only the amount of such compensation can be challenged.

Several of the immovable properties for our sub-stations, transmission lines and other infrastructure are acquired by the GoI or the concerned state governments under the provisions of the Land Acquisition Act, 1894 and are thereafter awarded to us under the provisions of this Act. In some instances the land acquisition procedures prescribed under the Land Acquisition Act, 1894 are yet to be completed so as to provide us with clear and absolute title to the relevant immovable properties. Furthermore, certain litigation and/or objections have been initiated with respect to some of these immovable properties by the affected persons, primarily with respect to claims of enhancement of compensation for the land acquired, and are pending before various forums and courts in India. In addition, several of our immovable properties for our infrastructure and projects and our offices are owned or leased by us. However the conveyance deeds of certain of these properties will require certain formalities to be completed like adequate stamping and/or registration with the concerned authority, so as to get a clear title.

Our registered office is located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi – 110 016. Our corporate headquarters is located in Gurgaon, on the outskirts of Delhi. We have eight regional headquarters, located in eight major cities.

FINANCIAL INDEBTEDNESS

A. Domestic Secured Borrowings

The total outstanding amount with respect to our domestic secured borrowings is Rs. 13,207.88 million as of June 30, 2007. The details of these facilities are set forth below.

(Rs. in million)

Sl. No.	Name of lender	Facility	Amount Outstanding	Interest Rate	Repayment Schedule	Security
1.	Indian Overseas Bank	Term loan of Rs. 1,000 million through loan agreement dated February 11, 1999[(1) (7)]	600.00	Prime lending rate less 2.60 % presently 10.65%	Ten annual equal instalments commencing February 11, 2004	Floating charge on the fixed assets of the Company to the extent of 1.25 times of the outstanding loan
2.	Corporation Bank	Term loan of Rs. 1,000 million through agreement dated March 4, 1999	650.00	Prime lending rate less 3.10 % (presently 11.90%)	Repayable within 10 years in equal half yearly instalments of Rs. 50 million each after an initial moratorium of five years	Floating charge on all the fixed assets of our Company
3.	Punjab National Bank	Term loan of Rs. 2,000 million through agreement dated March 30, 1999[(1) (2)]	1,200	Prime term lending rate less 2.85 % (presently 10.90%)	Repayable in 10 annual instalments of Rs. 200 million each commencing from March 30, 2004 till March 30, 2013	Floating charge on fixed assets of our Company to the extent of 1.25 times of the outstanding loan
4.	ICICI Bank Limited	Term loan of Rs. 1,500 million through agreement dated June 27, 2000[(3)]	750.00	Fixed rate of 7.32%	Repayable in 10 equal annual instalments starting from the end of three years from the date of disbursement	First charge/ security interest on our movable assets and transmission lines/sub-stations, both present and future, subject to a minimum coverage of 1.5 times.
5.	Punjab National Bank	Term loan of Rs. 3,000 million through agreement dated March 8, 2002[(1) (2)]	2,250.00	2.90% below the prime term lending rate presently 10. 85%	Repayable in 12 equal annual instalments of Rs. 250 million, commencing after a moratorium of three years	Floating charge on fixed assets of our Company to the extent of 1.10 times of the outstanding loan
6.	Oriental Bank of Commerce	Term loan of Rs. 2,500 million through	1,875.00	2.40% below the prime term	Repayable in 12 equal annual instalments	Floating charge on the fixed assets of our

Sl. No.	Name of lender	Facility	Amount Outstanding	Interest Rate	Repayment Schedule	Security
		agreement dated March 22, 2002 (1) (2)		lending rate presently 10.85%	commencing after a moratorium period of three years	Company to the extent of 1.10 times of the outstanding loan
7.	Life Insurance Corporation of India	Term loan of Rs. 8,849.70 million through agreement dated October 14, 2003(4) (5) (6) (7) (8)	5,882.88	Fixed rate of 6.30%	Repayable in 13 annual instalments commencing from March 31, 2004 as per amortisation schedule	Floating charge on all the fixed assets of our Company, both present and future, subject to a minimum asset cover of 1.10 times of the outstanding loan

(1) The lender is entitled at its option to recall the entire loan outstanding together with interest and other charges in the event (a) we default in payment of an instalment or interest, (b) we fail to create security for the loan within the period prescribed, (c) we contravene the terms of the loan agreement and (d) in such other circumstances as the lender may deem fit and proper.

(2) The lender shall always be at liberty to stop making advances at any time on providing notice and reasons for the same even though the term loan limit has not been fully availed.

(3) We are required to obtain the prior written approval of the lender, before undertaking any restructuring of the Company.

(4) The lender shall have a right to review the rate of interest every five years and in the event of a downgrade in rating from AAA provided by CRISIL and ICRA, the lender shall have a right to increase the interest rate by 25 basis points for each level below AAA.

(5) The lender reserves the right to recall the loan if the rating our Company falls below investment grade i.e. BBB rating.

(6) We are required to obtain the prior approval of the lender, before any prepayment of the principal amount of the loan, which may be granted conditionally without premium provided that 60 days notice is given to the lender.

(7) During the currency of the loan agreement, we shall not declare any dividend if there is a default under the loan agreement.

(8) Under the loan agreement, we would be in default of the agreement, if any of our lenders have recalled any of their loans. In such an event, the lender shall have the rights, amongst other things, to immediately demand repayment the entire outstanding loan amount by our Company.

B. Domestic Unsecured Borrowings (Long Term)

The total outstanding amount with respect to our domestic unsecured long term facilities is Rs. 1,020.30 million as of June 30, 2007. The details of these facilities are set forth below.

Sl. No.	Name of lender	Facility	Amount Outstanding (as on June 30, 2007 in Rs. Million)	Interest Rate	Repayment Schedule
1.	Power Finance Corporation Limited	Term loan of Rs. 1,000 million(1) (2) (3) (4)	525.00	9.50% fixed	Repayable in 40 equal quarterly instalments. The first instalment became due on October 15, 2002
2.	Ministry of Home Affairs, GoI	Term loan of 169.37 million	22.30	17.00%	Repayment in 15 years subject to a moratorium of 5 years
3.	Ministry of Home Affairs, GoI	Term loan of 211 million	126.60	15.00%	Repayment in 15 years subject to a moratorium of

Sl. No.	Name of lender	Facility	Amount Outstanding (as on June 30, 2007 in Rs. Million)	Interest Rate	Repayment Schedule
					5 years
4.	Ministry of Home Affairs, GoI	Term loan of 425 million	324.00	14.50%	Repayment in 15 years subject to a moratorium of 5 years
5.	Ministry of Home Affairs, GoI	Term loan of 22.4 million	22.40	14.00%	Repayment in 15 years subject to a moratorium of 5 years

(1) We are required to obtain the prior written consent of the lender before creating any security over all or any of our present or future revenues or assets in respect of any financial indebtedness in the future, save and except (a) future security interests to secure financial indebtedness denominated in rupees, which is for working capital borrowings, (b) security interests to secure the issue of long term power bonds denominated in rupees and (c) security for foreign currency borrowings from multilateral agencies which are guaranteed by the Government of India.

(2) We are required to maintain certain financial covenants being the following (a) the net worth of our Company should be above the levels for the year ended March 31, 2000, (b) the ratio of the total borrowings to net worth should be below 2.0 and (c) the ratio of EBITDA to interest expenses should not be less than 1.75.

(3) We are required to obtain the prior written consent of the lender, before undertaking any reduction in equity capital resulting in the reduction of our net worth below the level existing on March 31, 2000.

(4) Our Company agrees not to transfer or abandon the Execution of power evacuation project from the Tehri Hydroelectric project through the Tehri-Meerut 800 KV S/c lines for which the loan was availed with prior written consent of the lender. In the event that the project is required to be transferred or abandoned the entire outstanding amount shall be paid to the lender prior to the transfer or abandonment.

C. Secured Foreign Currency Borrowings

The total outstanding amount with respect to our foreign currency secured borrowings is Rs. 49,371.08 million as of June 30, 2007. The details of these facilities are set forth below.

Sl. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (in Rs. million)	Interest Rate	Security
1.	International Bank for Reconstruction and Development	Facility of US$ 350 million through agreement dated March 23, 1993.(1)(1A) (1B)	Repayment in 30 semi annual instalments starting from December 1, 1998. Rate of interest is (floating) There is also specified premiums on prepayment	4,850.69	Cost of qualified borrowings in preceding semester plus 0.5% presently 6.09%	Secured by equitable mortgage over Rihand and Vindhyanchal transmission systems.
2.	International Bank for Reconstruction and Development	Facility of US $ 450 million through agreement dated June 13, 2001. (1) (2)	Repayment in 30 semi annual instalments starting from December 15,	17,375.73	LIBOR base rate plus LIBOR total spread presently	Secured by Pari passu interest in the liens created on its assets as security for any

Sl. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (in Rs. million)	Interest Rate	Security
			2006.		5.50%	debt
3.	International Bank for Reconstruction and Development	Facility of US $ 400 million through agreement dated May 2, 2006. (1) (2)	Repayment in 30 semi annual instalments starting from September 15, 2011.	5,235.80	LIBOR base rate plus LIBOR total spread presently 5.71 %	Secured by Pari passu interest in the liens created on its assets as security for any debt.
4.	Asian Development Bank*	Facility of US $ 275 million through agreement dated July 18, 1996 (1) (1A) (1B) (1C) (2) (3)	Repayment in 32 semi annual instalments starting from June 1, 2000.	6,107.85	Rate of interest is as per ordinary operations loan regulations of ADB which is currently 5.91%	Secured by way of pari passu interest in the liens created on assets of our Company with respect to any indebtedness.
5.	Asian Development Bank*	Facility of US $ 250 million through agreement dated December 4, 2000 (1) (1A) (1B) (2) (3)(3A)	Repayment in 30 semi annual instalments starting from June 15, 2006.	9,639.74	Rate of interest is as per ordinary operations loan regulations of ADB which is currently 5.45 %	Secured by way of pari passu interest in the liens created on assets of our Company with respect to any indebtedness.
6.	Asian Development Bank*	Facility of US $ 400 million through agreement dated November 3, 2005 (1) (1A) (1B) (2) (3)	Repayment in 30 semi annual instalments starting from January 15, 2010.	2,807.56	LIBOR + 0.60 %. (which is currently 5.48 %)	Secured by way of pari passu interest in the liens created on assets of our Company with respect to any indebtedness.
7.	Bank of India	Facility of US$ 100 million through agreement dated May 28, 1999 (2)	Repayment in 38 equal consecutive half-yearly instalments starting from June 10, 2004	3,353.71	LIBOR + 1.60 %.	Floating charge on immovable properties of our Company consisting of electric sub-stations, transmission lines, buildings and other immovable properties.

* The security for these loans are in the process of being created.

D. Unsecured Foreign Currency Borrowings[#]

The total outstanding amount with respect to our foreign currency unsecured borrowings is Rs. 11,225.88 million as ofJune 30, 2007. The details of these facilities are set forth below.

Sl. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (in Rs. million)	Interest Rate
1.	The Overseas Economic Cooperation Fund	Facility of Japanese Yen 8,497 million through agreement dated February 25, 1997	41 semi annual instalments beginning February 20, 2007.	1,213.87	2.3 % p.a. on the principal disbursed and outstanding.
2.	Credit National (now known as Natixis) acting on behalf of the French Government	Facility of Euros 26.26 million through agreement dated March 11, 1994 (4)	Semi annual instalments for each tranche starting September 30, 2004.	1,226.13	2% per annum
3.	European Investment Bank	Facility of Euros 55 million through agreement dated December 17, 1993 (2) (2A)(14)	Repayment in 26 semi annual instalments commencing on June 15, 2001	953.38	5.75
4.	State Bank of India, London	Facility of GBP17.52 million through agreement dated February 11, 2003 (7) (8)	Repayment in 9 consecutive equal semi annual instalments starting from August 22, 2003	160.47	5.03% per annum
5.	KfW, Germany	Facility of CHF 300 million through agreements dated March 15, 2000 (9) (9A) (9B)	Repayment in 20 consecutive semi annual instalments starting from March 31, 2004	5,974.25	3.82% per annum
6.	Industrial Bank of Japan Agreement (through a consortium of lenders)*	Facility of Japanese Yen 15,000 million through agreement dated September 8, 1997(10) (11) (12) .	10 semi annual instalments starting March 18, 2003	114.96	Sum of the margin and the offered rate for 8 year yen borrowing, presently 3.085%
8.	Skandinaviska Enskilda Banken	Facility of SEK 345 million through an agreement dated September 26, 2002 (13)	24 semi-annual consecutive instalments commencing from September 15, 2005.	1,582.82	The Company has an option to pay interest either for each interest period relating thereto at a floating rate to be STIBOR applicable to such advance, or at the agreed fixed rate applicable for the credit facility

*The agreement was originally entered into with National Thermal Power Corporation Limited and the loan has subsequently been transferred to our Company.

(1) The lender, on the happening of certain events, may suspend the right of our Company to make withdrawals or declare the principal of the loan then outstanding to be due and payable immediately together with interest thereon as well as commitment charges. These include, amongst others, the following circumstances:

(a) A change made in Memorandum and Articles of Association, without the consent of the lender, which would materially and adversely affect the financial conditions or operations of the Company or its ability to perform any of its obligations under the agreement.

(b) A subsidiary or any other entity shall have been created or acquired or taken over by the borrower, if such creation, acquisition or taking over would materially and adversely affect the conduct of its business or its financial condition or the efficiency of its management and personnel or the carrying out of the project.

(1A) We shall be in default of the loan agreement, if the member in whose territory the project is to be executed has been suspended from membership, or has ceased to be a member of the lender.

(1B) We shall be in default of the loan agreement, if our Company or the GoI fails to perform their obligations under any of the loan agreements entered into by our Company with the lender.

(2) Our Company is required to maintain a debt equity ratio less than 4:1 and cannot without the permission of the lender, the borrower not to incur any debt so as to make the debt equity greater than 4:1.

(2A) Our Company is required to maintain a self financing ratio of 20% or more and cannot without the prior permission of the lender exceed the same.

(3) Our Company is obligated to, in the event we or our subsidiary create a lien on any of its assets as security for any debt, include an express covenant to the effect that such lien will ipso facto equally and ratably secure the payment of the principal, interest and other charges of the loan. Our Company is further obligated to grant to the lender proportionate lien if any statutory lien is created on any assets of our Company or its subsidiary.

(3A) Except as the lender may otherwise agree, our Company shall not incur any debt unless the net revenues of our Company for the fiscal year immediately preceding the date when it is proposed to incur the debt or for a later 12 month period prior to incurrence of the debt, whichever is greater, is at least 1.2 times the maximum debt service requirement of our Company for any succeeding fiscal year on all debt of our Company, including the debt to be incurred.

(4) The loan agreement covenants that no further utilization of the loan might be required from the lender, and, further, that all sums regarding the loan due by our Company shall be immediately payable at the first request made by the lender in the event of interruption, cancellation, partial or total termination of certain specified contract for supply of goods as envisaged in the loan agreement for any reason whatsoever.

(5) The Company is obligated not to modify contracts (French related portions of these contracts are being financed through this loan arrangement) directly or indirectly if, by reason of their regulations which apply to the lenders, such modification would make their commitments impossible to be fulfilled or would change the substance or form of their commitments.

(6) Prepayment subject to certain conditions and payment of compensation.

(7) Our Company is obligated not to merge into any other entity without the prior written consent of the lender unless our Company shall be the surviving corporation and the lender is satisfied that our obligations under the loan agreement will not be discharged or adversely affected.

(8) Our Company is required to inform the lender of any intended change in its capital structure or its Memorandum and Articles of Association

(9) Our Company is obligated, without prior written consent of the lender, not to sell, transfer, lease or otherwise dispose in whole or in part equipment or create any lien, pledge, mortgage or other encumbrance or security right on its revenues or the whole or any other part of its assets or property while any amount remains outstanding under this loan agreement.

(9A) Our Company shall be in default of the loan agreement, if in the reasonable opinion of the lender, there is an alteration in the legal status, control, nature or scale of business of our Company, which is materially detrimental to the interest of the lender.

(9B) Our Company shall be in default of the loan agreement, if our Company is in default under any commercial loan agreement, guarantee or any other document related to borrowing of money.

(10) Our Company is obligated to ensure that the ratio of total liabilities to net worth shall not at any time exceed 2.0 to 1.0 and the ratio of EBITDA to interest expense shall not at any time be less than 1.75:1

(11) Our Company is obligated to ensure that it does not create or permit any encumbrance over all or any of its future revenues or assets in respect of any indebtedness denominated in any currency other than the currency of India which indebtedness is not originally due for repayment within 12 months from the date of incurring such indebtedness.

(12) Our Company shall not sell, lease transfer or otherwise dispose of by one or more transactions or series of transactions the whole or any part of its revenues or its assets except disposal of assets in exchange for assets certified by a director or other authorized officer to be of a similar nature and of comparable or higher market value.

(13) Our Company is obligated to ensure at all times that obligations hereunder constitute our unconditional general obligations ranking atleast *pari passu* with all other unsecured obligations, present or future, of the Company.

(14) In the event of granting security to a third party, our Company is obligated to provide equivalent security, if so required by the bank, for the performance of its obligation under this contract.

The exchange rate at which the Foreign Currency Borrowing per US Dollar was converted into Indian Rupees was Rs. 41.11 as of June 30, 2007.

E. Secured Bonds*

Our Company from time to time issues secured bonds on a private placement basis. The total amount outstanding in relation to bonds issued by our Company as ofJune 30, 2007 is Rs. 86,270.80 million. The details of the outstanding bonds issued by our Company are set forth below:

(Rs. in million)

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding	Security
1.	13% (taxable) non-cumulative secured redeemable bonds of Rs. 1,000 million allotted on December 6, 1997	Redeemable in 10 equal annual instalments after a moratorium of five years from the date of allotment	500.00	Hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Gandhar transmission system stage-I.
2.	13.5% (taxable) non-cumulative secured redeemable bonds of Rs. 2,000 million allotted on August 4, 1998	Redeemable in five equal annual instalments after a moratorium of five years from the date of allotment	400.00	Hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Kahalgaon transmission system and Ramagundam Stages I & II transmission systems
3.	10.35% (taxable) non-cumulative secured redeemable bonds of Rs. 200 million allotted on April 27, 2000	Redeemable in 10 equal instalments after a moratorium of five years from the date of allotment	140.00	Floating charge over the fixed assets of our Company
4.	12.25% (taxable) non-cumulative secured redeemable bonds of Rs. 5,765 million allotted on August 22, 2000	Ten equal annual instalments after a moratorium of three years.	3,459.00	Mortgage of immovable property, measuring 219,689 square meters at Ambheti of Mouje Ambheti, Taluka Kaprada in Valsad

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding	Security
				District in the State of Gujarat ("Gujarat Property"). Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Hissar-Jaipur, Bawana-Bhiwani, Hissar-Bawana, Nallagarh-Hissar, Adullapur-Bawana, ICT I and ICT II transmission systems
5.	10.90% (taxable) non-cumulative secured redeemable bonds of Rs. 7,615.20 million allotted on June 21, 2001	Repayable in 12 equal annual instalments commencing from June 21, 2004	5,076.80	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within CTP – I, Farakka and Chamera- Moga transmission systems
6.	9.80% (taxable) non-cumulative secured redeemable bonds of Rs. 5,430 million allotted on December 7, 2001	Repayable in 12 equal annual instalments commencing from December 7, 2005	4,525.00	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Anta Auriya, Moga-Bhiwani, Chamera-Kisanpur, Sasaram-Allahabad, LILO of Singrauli, Kanpur and Allahabad Sub-station
7.	9.20% (taxable) non-cumulative secured redeemable bonds of Rs. 2,070 million allotted on December 7, 2001	Repayable in six equal annual instalments commencing from December 7, 2003	690.00	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding	Security
				pertaining to transmission lines and sub-stations associated within Uri transmission system
8.	9.70% (taxable) non-cumulative secured redeemable bonds of Rs. 1,845 million allotted on March 28, 2002	Repayable in 12 equal annual instalments commencing from March 28, 2006.	1,537.50	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Kayamkulam and Ramagundam Hyderabad transmission systems
9.	8.63% (taxable) non-cumulative secured redeemable bonds of Rs. 8,100 million allotted on July 31, 2002	Repayable in 12 equal annual instalments commencing from July 31, 2006.	7,425.00	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Kishanpur-Moga and Dulhasti transmission system
10.	7.85% (taxable) non-cumulative secured redeemable bonds of Rs. 2,505 million allotted on July 31, 2002	Repayable in 6 equal annual instalments commencing from July 31, 2003.	835.00	Mortgage of Gujarat Property. Pari-passu charge by way of hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Neyvelli Lignite Line Trichy, Neyvelli-Bahoor Line and Neyvelli Trichy transmission system
11.	6.10% (taxable) non-cumulative secured redeemable bonds of Rs. 6,990 million allotted on July 17, 2003	Repayable in 12 equal annual instalments commencing from July 17, 2004.	5,242.50	Mortgage of Gujarat Property. Floating charge on movable assets to the extent of 1.1 times of

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding	Security
				the outstanding amount
12.	6.68% (taxable) non-cumulative secured redeemable bonds of Rs. 9,000 million allotted on February 23, 2004	Repayable in 12 equal annual instalments commencing from February 23, 2008.	9,000.00	Mortgage of Gujarat Property. Floating charge on movable assets to the extent of 1.1 times of the outstanding amount
13.	7.10% (taxable) non-cumulative secured redeemable bonds of Rs. 7,500 million allotted on February 18, 2005	Repayable in 10 equal annual instalments commencing from February 18, 2009.	7,500.00	Mortgage of Gujarat Property. Floating charge on movable assets to the extent of 1.1 times of the outstanding amount
14.	7.39% (taxable) non-cumulative secured redeemable bonds of Rs. 10,000 million allotted on September 22, 2005	Repayable in 10 equal annual installments commencing from September 22, 2009.	10,000.00	Mortgage of Gujarat Property. Floating charge on movable assets to the extent of 1.1 times of the outstanding amount
15.	8.15% (taxable) non-cumulative secured redeemable bonds of Rs. 9,990 million allotted on March 9, 2006.	Repayable in 12 equal annual instalments commencing from March 9, 2010	9,990.00	Pari passu charge over Gujarat Property Floating charge on entire assets pertaining to the Company's immoveable properties to the extent of 1.1 times of the outstanding amount.
16.	9.25% (taxable) non-cumulative secured redeemable bonds of Rs. 4,950 million allotted on July 24, 2006.	Repayable in 12 equal annual installments commencing from July 24, 2010.	4,950.00	Pari passu charge over Gujarat Property Floating charge on entire assets pertaining to the Company's immoveable properties to the extent of 1.1 times of the outstanding amount.

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding	Security
17.	8.93% (taxable) non-cumulative secured redeemable bonds of Rs. 15,000million allotted on September 7, 2006	Repayable in 12 equal annual installments commencing from September 7, 2010.	15,000.00	Pari passu charge over Gujarat Property Floating charge on entire assets pertaining to the Company's immoveable properties to the extent of 1.1 times of the outstanding amount.

* The terms of issuance of the bonds generally provide for the following clauses:

(i) Any indebtedness of our Company through issuance of bonds becomes due prior to the stated maturity period of such bonds by reason of default of the terms of such issuance or any such indebtedness is not paid at their stated maturity.

(ii) We are required to obtain prior approval of the appointed trustee before (a) pulling down or removing any building or structure on the mortgaged property, (b) declaring any dividend unless it has paid the instalment of principal and interest payable on the bonds for the financial year or have made provision for the same and (c) selling or disposing of the mortgaged premises or create any charge or encumbrance on the same

(iii) With respect to certain bond issues, we shall be in default of the trustee agreement if any winding-up petition has been admitted against our Company by any court. There is a winding up petition pending before the High Court of Delhi. This petition was originally filed aginst NTPC and subsequently our Company has been impleaded as a party. For details see the chapter "Outstanding Litigation and Material Developments" on page 239 of this Red Herring Prospectus.

(iv) We shall be in default with respect to certain bond issues if we fail to keep the secured properties insured. However, the Company has a policy of creating a special reserve for insuring the said assets as per the self insurance scheme of the Company and the insurance of assets is accordingly taken care of.

In addition to the above issuances, our Company has issued series of bonds for which security agreements are in the process of being executed. The total amount outstanding in relation to these bonds issued by our Company as of June 30, 2007 is Rs. 33,720 million. The details of these bonds are set forth below.

(Rs. in million)

Sl. No.	Nature of Bonds	Redemption	Amount Outstanding
1.	8.73% (taxable) non-cumulative secured redeemable bonds of Rs. 5,100 million allotted on October 11, 2006	Repayable in 12 equal annual installments commencing from October 11, 2010	5,100.00
2.	8.68% (taxable) non-cumulative secured redeemable bonds of Rs. 6900 million allotted on December 7, 2006.	Repayable in 12 equal annual installments commencing from December 7, 2010.	6,900.00
3.	9.25% (taxable) non-cumulative secured redeemable bonds of Rs. 3075 million allotted on February 9, 2007	Repayable in 12 equal annual installments commencing from February 9, 2011.	3,075.00
4.	9.95% (taxable) non-cumulative secured redeemable bonds of Rs. 7995 million allotted on March 26, 2007	Repayable in 12 equal annual installments commencing from March 26, 2011.	7,995.00
5.	10.10% (taxable) non-cumulative secured redeemable bonds of Rs. 10,650 million allotted on June 12, 2007	Repayable in 12 equal annual installments commencing from June 12, 2011.	10,650.00

REGULATIONS AND POLICIES

The following description is a summary of various sector-specific laws and regulations in India prescribed by the central and state governments, which are applicable to our Company. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

THE POWER SECTOR

"Electricity" is an entry in the Concurrent List (Entry 38, List III) of the Seventh Schedule to the Constitution of India. Therefore, both the Government of India and state governments have jurisdiction over the power sector. State legislatures have full power to legislate regarding the power sector, subject to the provision that the state enactment does not conflict with any central enactment in this sector.

ELECTRICITY ACT, 2003, THE ELECTRICITY (AMENDMENT) ACT, 2003 AND THE ELECTRICITY (AMENDMENT) ACT, 2007

The central legislature has enacted the Electricity Act, 2003 ("Electricity Act") as a comprehensive legislation governing various aspects of the power sector, repealing the Indian Electricity Act, 1910 (which governed the transmission, supply and use of electricity), the Electricity (Supply) Act, 1948 (which set up statutory bodies at the central, regional and state levels to govern generation, transmission and distribution of electricity) and the Electricity Regulatory Commissions Act, 1998 (to enable setting up of the central and state electricity regulatory commissions). The Electricity (Amendment) Act was enacted on December 30, 2003 and subsequently on May 28, 2007 amending certain provisions of the Electricity Act.

On June 10, 2003, the Government of India notified that all the provisions of the Electricity Act (other than Section 121 of the Electricity Act) shall come into force on June 10, 2003. In addition, the state enactments shall apply to the respective states to the extent they are not inconsistent with the provisions of the Act.

Authorities under the Electricity Act

The Central Electricity Authority ("CEA") is constituted under the Electricity Act and shall consist of the members appointed by the Government of India to perform the functions and duties prescribed by the Government of India. Amongst other functions, the CEA shall (a) specify the technical standards for construction of electrical plants, electric lines and connectivity to the grid; (b) specify the grid standards for operation and maintenance of transmission lines; (c) specify the conditions for installation of meters for transmission and supply of electricity; (d) advise the Government of India on matters relating to National Electricity Policy; and (e) advise the appropriate government and commission on all technical matters relating to generation, transmission and distribution of electricity, etc. The Electricity Act also provides for a Central Electricity Regulatory Commission ("CERC") and a State Electricity Regulatory Commission ("SERC") for each state. Amongst other functions, the CERC is responsible for: (a) regulation of inter-state transmission of electricity; (b) determination of tariff for inter-state transmission of electricity; (c) issuing of licenses to function as transmission licensee with respect to inter-state operations; (d) specifying and enforcing standards with respect to quality, continuity and reliability of service by licensee, etc. SERCs perform the similar functions at the state level. The Electricity Act also provides for the establishment of a Joint Commission by an agreement between two or more state governments or by the central government in respect of union territory and one or more state governments. The Joint Commission shall determine tariff in respect of the participating states or union territories separately and independently.

The Electricity Act also provides for the establishment of an Appellate Tribunal for Electricity that shall hear appeals against the order of the adjudicating officer or the appropriate commission under the Electricity Act.

License for transmission, distribution and trading in electricity

The Electricity Act mandates that a license must be issued in favour of the person before the person undertakes any transmission, distribution or trading in electricity in any area, unless the said person is exempt by the appropriate government in accordance with the provisions of the Electricity Act. However, persons engaged in the business of transmission or supply of electricity under the provisions of the laws repealed by the Electricity Act shall be deemed to be licensees under the Electricity Act for such period as stipulated in the license and the provisions of the repealed laws shall apply for a period of one year from the date of commencement of the Electricity Act or such earlier period as maybe specified, at the request of the licensee, by the appropriate commission and thereafter, the Electricity Act shall apply to such business. The Electricity Act also provides that the Central Transmission Utility ("CTU") or the State Transmission Utility ("STU") shall be deemed to be a transmission licensee. The GoI may notify any government company as a CTU. Similarly the state government may notify the SEB or any government company as STU. A person intending to act as a transmission licensee is required to forward a copy of the application to the CTU or STU, as the case may be. The CTU or STU shall send its recommendations if any to the relevant commission. The recommendations of the CTU or STU are non-binding.

The appropriate regulatory commission may specify any general or specific conditions that may apply to a particular licensee or a class of licenses. In addition, the Electricity Act prohibits a licensee to:

(a) (i) undertake any transaction to acquire by purchase or takeover or otherwise, the utility of any other licensee; or (ii) merge his utility with the utility of any other licensee, without prior approval of the relevant regulatory commission. Such approval is not required if the utility of the licensee is situated in a state other than the state in which the utility referred to in (i) or (ii) is situated.

(b) assign his license or transfer his utility or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the relevant regulatory commission.

A license shall continue to be in force for a period of 25 years unless such license is revoked. The relevant regulatory commission may, if public interest so requires, at any time alter the terms and conditions of the license or revoke the license as it thinks fit in accordance with the procedure prescribed in the Electricity Act. The Electricity Act also prescribes a detailed procedure for the sale of the utilities of the licensee in the event the relevant regulatory commission revokes the license. Further, the Electricity Act empowers the relevant regulatory commission to issue directions to licensees if necessary or expedient to maintain an efficient supply, secure equitable distribution of electricity and promote competition.

Transmission of Electricity

Under the Electricity Act, the CERC or SERC, as the case may be, may authorise any person to transmit electricity as a transmission licensee. The CEA is required to prescribe certain grid standards under the Electricity Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines.

Inter-State, Regional and Inter-regional Transmission: The Electricity Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity and in particular to facilitate voluntary inter-connections and co-ordination of facilities for the inter-State, regional and inter-regional generation and transmission of electricity with the Government of India and empowers the Government of India to make region wise demarcations of the country for the same.

The Electricity Act provides that the Government of India may establish National Load Despatch Centre ("NLDC") and Regional Load Despatch Centres ("RLDCs") for optimum scheduling and despatch of electricity among the RLDCs. The NLDCs and RLDCs are prohibited from trading in electricity and the RLDCs are additionally prohibited from engaging in the business of generation or trading of electricity. RLDCs are the apex bodies to ensure integrated operation of the power system in the concerned region and exercise supervision and control over the inter-state transmission system. The RLDCs are responsible for (a) optimum scheduling and despatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region; (b) monitoring grid operations; (c) keeping accounts of the quantity of electricity transmitted through the regional grid; (d) exercising supervision and control over the inter-state transmission system; and (e) carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the grid standards and grid code. The RLDC shall be operated by a government company or authority or corporation established or constituted under a central enactment, as may be notified by the Government of India. However, under the Electricity Act, the CTU shall operate the RLDC until such notification is issued.

Intra-state Transmission: The Electricity Act vests the responsibility with the State Electricity Regulatory Commissions to facilitate and promote transmission, wheeling and inter-connection arrangements within its territorial jurisdiction for efficient and economical transmission and supply of electricity. The concerned state government has to establish a State Load Dispatch Centre ("SLDC") for the same. The SLDC shall comply with the directions of the RLDCs. The SLDC is the apex body to ensure integrated operation of the power system in a state and exercises supervision and control over the intra-state transmission system.

Responsibilities of the CTU

The CTU is responsible for (a) undertaking transmission of electricity through the inter-state transmission system; (b) discharging all functions of planning and co-ordination relating to inter-state transmission systems along with certain specified authorities and stakeholders; (c) ensuring development of an efficient, co-ordinated and economical system of inter-state transmission lines for smooth flow of electricity from generating stations to load centres; and (d) providing non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act.

Obligations of Transmission Licensee

The Electricity Act requires every transmission licensee to comply with the technical standards of operation and maintenance of transmission lines, in accordance with the Grid Standards, as specified by the CEA. The duties of a transmission licensee under the Electricity Act include amongst others: (a) to build, maintain and operate an efficient and economic inter/intra state transmission system; and (b) to provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act. The Electricity Act states that a transmission licensee may with prior intimation to the CERC or the SERC, as the case may be, engage in any business for optimum utilisation of its assets provided that a proportion of the revenues derived from such business shall be utilised for reducing its charges for transmission and wheeling.

Open Access

The Electricity Act has introduced provisions for mandatory open access of transmission and distribution systems. Open access means the non-discriminatory provision for the use of transmission

lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation. Accordingly, the Electricity Act prescribes that the CTU and STUs and every transmission licensee shall provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act.

Tariffs

The Electricity Act lays down certain principles in accordance with which the appropriate commission shall specify the terms and conditions for the determination of tariff. The state and joint commissions also have to be guided by the guidelines specified by the CERC for determination of the tariff applicable to generating companies, distribution companies and transmission licensees.

Under the Electricity Act, the CERC is vested with the authority to determine the tariffs for inter-state transmission of electricity. The CERC has notified Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 which came into force on April 1, 2004 and is valid for a period of five years ("Tariff Regulations"). The Tariff Regulations apply only to those cases where tariff is to be determined by the CERC based on capital cost of the project. The Tariff Regulation states that the tariff for the transmission system shall be determined line-wise, sub-station-wise and system-wise, as the case may be and aggregated to regional tariff.

The actual expenditure incurred on completion of a project shall be the basis for determination of final tariff. In case of existing projects, that is projects which are declared under commercial operation prior to April 1, 2004, the project cost admitted by the commission shall form the basis for determination of tariff. In case of transmission system declared under commercial operation on or after April 1, 2004 the application for fixation of tariff shall be made in two stages. The transmission licensee is required to apply for the determination of provisional tariff in advance of the anticipated date of completion of the project based on the capital expenditure actually incurred up to a day prior to the date of making the application and the provisional tariff shall be charged from the commercial operation of the respective line or sub-station of the transmission system. Subsequently, the licensee has to make a fresh application for determination of the final tariff based on actual capital expenditure incurred up to the date of commercial operation of the transmission system and shall include capitalised initial spares subject to a ceiling norm as 1.5% of the original cost. However, where the implementation agreement or transmission service agreement entered into between the transmission licensee and the long term transmission customers (for 25 years or more) provides a ceiling of actual expenditure, the capital expenditure shall not exceed such ceiling for determination of tariff.

The Tariff Regulations provide that the scrutiny of project cost estimates shall be limited to the reasonableness of the capital cost, financing plan, interest during construction, use of efficient technology and such other matters for determination of tariff.

The Tariff Regulations also provide for the additional capitalisation of capital expenditure incurred after the date of commercial operation, subject to a prudence check by the CERC.

The Tariff Regulations state that in case of all projects the debt-equity ratio as on the date of commercial operation shall be in the proportion of 70:30 for the purpose of determination of tariff. In the event the equity deployed is more than 30% of the cost, the amount of equity for the purpose of determination of tariff shall be limited to 30% and the balance amount shall be considered to be a loan. However, where the actual equity deployed is less than 30%, the actual debt and equity shall be considered for determination of tariff. The debt and equity amounts arrived at with respect to a project shall be used to calculate the interest on loan, return on equity, advance against depreciation and foreign exchange variation. The tariff for transmission of electricity on inter-state transmission systems shall comprise of the recovery of annual transmission charges consisting of (a) interest on loan capital (b) depreciation, including advance against depreciation (c) return on equity (d) operation

and maintenance expenses and (e) interest on working capital. The Tariff Regulations lays down the basis for computation of each of the aforementioned categories. The return on equity is currently fixed at 14% per annum on a post-tax basis.

Tariff Policy

In compliance with Section 3 of the Electricity Act the Government of India notified the Tariff Policy on January 6, 2006. The appropriate commission is to be guided by the Tariff Policy in discharging their functions. With respect to transmission pricing, the Tariff Policy seeks to achieve optimal development of the transmission network and attract investments in the transmission sector. It also seeks to maintain balance between the interests of consumers and the need for investments while laying down the rate of return. The Tariff Policy envisages implementation of the national tariff framework to be developed by CERC for all inter-state transmission by April 1, 2006.

The Tariff Policy states that a balance is required to be achieved between the interests of consumers and the need for investments while laying down the rate of return, which should attract investments at par with, if not in preference to other sectors in order that the electricity sector is able to create adequate capacity. Accordingly, the CERC is required to determine the rate of return on equity keeping in view the assessment of overall risk and the prevalent cost of capital.

The Tariff Policy states that investment by a transmission developer other than a CTU or STU shall be invited through competitive bids. Further, after a period of five years or when the CERC is satisfied that the situation is appropriate to introduce competition, the tariff on projects to be developed by the CTU and the STU shall also be determined on the basis of competitive bidding.

The Tariff Policy states that the transmission charges under the national tariff framework can be determined on MW per circuit kilometre basis, zonal postage stamp basis, or some other pragmatic variant, the ultimate objective being to get the transmission system users to share the total transmission cost in proportion to their respective utilization of the transmission system. In accordance with the National Electricity Policy (described herein below) the national tariff framework should be sensitive to distance and direction of transmission and related to the quantum of power flow.

The Tariff Policy requires CERC to establish norms for capital and operating costs, operating standards and performance indicators for transmission lines at different voltage levels. With respect to the allocation of transmission losses, the Tariff Policy states that transactions should be charged on the basis of average losses arrived at after appropriately considering the distance and directional sensitivity, as applicable to relevant voltage level, on the transmission system.

NATIONAL ELECTRICITY POLICY

Under Section 3 of the Electricity Act, the Government of India has notified the National Electricity Policy ("NEP") on February 12, 2005.

The key objectives of the NEP are laying guidelines for accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers. The NEP aims at providing access to electricity to all households in next five years and electrification of all villages by 2007. In addition, the NEP seeks to ensure that the entire demand for availability of power is met by 2012 and also, per capita availability of electricity is increased to over 1000 units by 2012.

With respect to the transmission of electricity, the NEP recognizes the need to augment the transmission capacity in view of the massive increase planned in generation. The NEP places the responsibility on the CTU for the national and regional transmission system planning and development and on STU for the intra-state transmission system. The CTU is required to coordinate with the STUs for eliminating transmission constraints in cost effective manner. The NEP lays down

that the network expansion should be planned and implemented keeping in view the anticipated transmission needs that would be incident on the system in the open access regime. It further states that the prior agreement with the beneficiaries would not be a pre-condition for network expansion and CTU and STU should undertake network expansion after identifying the requirements in consultation with stakeholders and after taking due regulatory approvals.

The NEP also states that the existing arrangement of CTU operating the RLDCs shall be reviewed by the Government of India based on the experience of working with the existing arrangement and that a view on this aspect would be taken by December 2005.

The NEP further states that certain special mechanisms would be created to encourage private investment in transmission sector so that sufficient investments are made for achieving the objective of demand to be fully met by 2012.

THE TELECOMMUNICATIONS SECTOR

Overview

The Department of Telecommunications ("DoT") of the Ministry of Communications and Information Technology is responsible for formulating and enforcing telecommunication policies, regulations and technical standards, granting telecommunications service licenses, supervising the operations and quality of service of telecommunication service provider and maintaining fair market competition among service providers.

Indian Telegraph Act, 1885

The Indian Telegraph Act which was enacted in 1885 remains the principal legislation regulating telegraphs which has been defined to include any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature by wire, visual or other electro-magnetic emissions, radio waves or hertzian waves, galvanic, electric or magnetic means. Under the Indian Telegraph Act, 1885, the Government of India has the power to grant licenses, on such conditions and in consideration of such payments as it thinks fit, to any person to establish, maintain or work a telegraph in any part of India. The Government of India also has the power to make rules that would be applicable to persons licensed under this Act, including the following: (a) rules specifying the rates and other conditions subject to which messages shall be transmitted within India, (b) conditions subject to which any telegraph line or appliance of apparatus for telegraphic communication shall be established, maintained, worked, repaired, transferred, shifted, withdrawn or disconnected, (c) charges in respect of any application for providing any telegraph line, appliance or apparatus, (d) charges in respect of (i) the establishment, maintenance, working, repair, transfer or shifting of any telegraph line, appliance or apparatus; and (ii) the services of operators operating such line, appliance or apparatus, and (e) the time, manner and conditions under which and the persons by whom such rates, charges and fees shall be paid and the furnishing of security for the payment of such rates, charges and fees.

The Government of India may, at any time, revoke any license granted under the Indian Telegraph Act, 1885, on the breach of any of the conditions contained therein, or in default of payment of any consideration payable thereunder.

The Indian Wireless Telegraphy Act, 1933(the "Wireless Telegraphy Act")

The Wireless Telegraphy Act enacted in 1933, to regulate the possession of wireless telegraphy apparatus prohibits possession of wireless telegraphy apparatus without licence. However, the Central Government may by rules made under the Wireless Telegraphy Act exempt any person or any class of persons from the provisions of this act either generally or subject to prescribed conditions, or in respect of specified wireless telegraphy apparatus. The telegraphy authority constituted under the

Indian Telegraph Act, 1885, is the competent authority to issue licences to possess wireless telegraphy apparatus under this act, and may issue licences in such manner, on such conditions and subject to such payments, as may be prescribed. The Wireless Telegraphy Act provides penalty for possession of any wireless telegraphy apparatus, other than a wireless transmitter, in contravention of the provisions of this act. The Wireless Telegraphy Act further provides that no license issued under this act shall authorise any person to do anything for the doing of which a license or permission under the Indian Telegraph Act, 1885 is necessary.

Telecom Regulatory Authority of India Act, 1997 (the "TRAI Act")

The TRAI Act was enacted in 1997 to provide for the establishment of the Telecom Regulatory Authority of India ("TRAI") to regulate the telecommunication services industry. The TRAI Act also provides for the constitution of the Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"), the adjudicatory body in this sector.

Under the TRAI Act, the functions and responsibilities of TRAI include the following (a) to make recommendations to the Government of India to issue licenses in connection with matters such as the need and timing for introduction of new service providers, (b) specify the terms and conditions of licenses issued to service providers and the revocation of licenses for non-compliance with stipulated conditions, (c) ensure compliance with the conditions of licenses, (d) regulate revenue sharing arrangements among service providers, (e) specify the standards of quality of service to be provided by service providers, (f) ensure effective compliance of universal service obligations and (g) render advice to the Government of India in the matters relating to the development of telecommunication technology and any other matter relatable to telecommunication industry in general. Additionally, the TRAI is empowered to specify the rates at which the telecommunication services within India and outside India shall be provided.

The provisions of the TRAI Act are in addition to the provisions of the Indian Telegraph Act, 1885 and the Indian Wireless Telegraphy Act, 1933 and shall not affect any jurisdiction, powers and functions required to be exercised or performed by the authorities established under the aforesaid legislation in relation to any area falling within the jurisdiction of such authority.

National Long Distance License Guidelines, 2000

National long distance service beyond the service area of the private operators was opened for competition in January 2000 pursuant to which the DoT notified guidelines for the issue of licenses for such services. Under the said guidelines, Indian registered companies with a net worth of Rs 25,000 million and paid up equity of Rs 2,500 million are eligible to apply for a National Long Distance Operator ("NLDO") Licence. The total foreign equity in the applicant company must not exceed 74% at any time during the entire license period. The license for an NLDO is issued on non-exclusive basis, for a period of 20 years and is extendable by 10 years at a time. There is no restriction on the number of NLDOs in India. The national long distance service refers to the carriage of switched bearer telecommunications service over a long distance and an NLDO licensee shall have a right to carry inter circle traffic.

The NLDO licenses were amended on January 29, 2001, and March 6, 2002, to facilitate sharing of infrastructure (including passive infrastructure such as buildings, towers and fibre optic networks, as well as point-to-point bandwidth) between Cellular Mobile Service Providers ("CMSPs") and other telecom service providers in their areas of operation.

The NLDO licences were further amended on August 12, 2002, to provide for certain customer verification requirements. The licensee is required to ensure adequate verification of customers prior to enrolling them as subscribers.

Telecommunication service providers including NLDO licensees are required to pay a license fee to the Government of India on a revenue sharing basis. Out of the total revenue share license fees paid by operators to the Government of India, at present, 5% of the adjusted gross revenue is allocated towards the Universal Service Obligation ("USO") for the development of rural and remote areas.

Interconnection Usage Charges Regulations, 2003

TRAI has notified the Interconnection Usage Charges ("IUC") Regulations in 2003, which regulate arrangements among service providers for payment of IUC for telecommunication services (covering basic services that include wireless loop services, cellular mobile services, and long distance services throughout the territory of India, as well as international subscriber dialling). The IUC Regulations stipulate, among other things, the charges for origination, transit and termination of calls in a multi-operator environment. The IUC Regulations, effective from December 1, 2003, supercede the earlier Regulations dated January 24, 2003 and the amendments thereto.

'Interconnection' means the commercial and technical arrangements under which service providers connect their equipment, networks and services to enable their customers to have access to the customers, services and networks of other service providers. An interconnection provider levies an 'interconnection charge' on an interconnection seeker for the use of its network elements. The charge payable by one service provider to one or more service providers for usage of the network elements for origination, transit or termination of the calls, is called the IUC.

The IUC Regulations stipulate a single access deficit charge regime, in place of the multiple charges which existed earlier, for charges required to be paid to basic service operators by all basic, cellular, national long distance and international long distance service providers. Most tariffs (except roaming tariffs) are currently forborne, i.e., TRAI has not, for the time being, notified any charge for a particular telecommunication service, and the service provider is free to fix any charge for such service. TRAI has, however, the right to periodically review and modify the IUC, *suo motu* or on reference from any affected party. The IUC Regulations however provide that the access deficit charge regime is to be phased out and merged with the USO regime.

Intra Circle Merger Guidelines, 2004

The intra-circle merger guidelines were issued on February 21, 2004 in order to facilitate consolidation in the telecommunications sector. The said guidelines provide that (a) merger of licenses shall be restricted to the same service area, (b) merger of the license to be permitted within certain categories of licenses, (c) merger of licenses shall be permitted with the prior approval of the DoT subject to the condition that there would at least be three operators in that service area for that service, consequent upon such merger, (d) consequent upon the merger of the licenses, the merged entity would be entitled to the total amount of spectrum held by each of the merging entities, subject to a prescribed upper limit and (e) while granting permission for merger of licenses, the DoT may, suitably amend, relax and/or waive the conditions in the respective license agreements dealing with 'substantial equity' requirement.

Telecommunication Tariff Order Regulation, 1999 (the "Tariff Order Regulation")

Previously, TRAI had specified various ceilings and floor prices for most telecom services. Since the implementation of the IUC Regulation, 2003, telecommunications tariffs are regulated by TRAI through the Telecom Tariff Order Regulation. TRAI has specified three underlying principles for tariff regulation. These are as follows:

a) IUC consistent tariffs imply that the service provider should be able to meet IUC expenses on a weighted average basis. The relevant weighted average should be of the service segment concerned;

b) Tariffs should be non-discriminatory. Different tariffs should not be charged for calls within the network and outside it when the calls are to the same service; and

c) Non-predation is linked to the ability to pay IUC expenses while covering own costs.

TRAI has also stressed the principle of transparency of tariffs.

TRAI Regulation on Quality of Service of Dial-Up and Leased Line Internet Access Service, 2001

The TRAI Regulation on Quality of Service of Dial-Up and Leased Line Internet Access Service, 2001 is applicable to all basic service operators and ISPs. It requires all basic service operators and ISPs to maintain certain grade and quality of service parameters. Network performance parameters like time to access, probability of access, ISP node unavailability, grade of service, etc. are measured on a sample basis by TRAI periodically, directly or through an independent agency appointed by it. TRAI is empowered to revise these parameters periodically.

The New National Telecom Policy, 1999

The New National Telecom Policy was announced on March 26, 1999 and came into effect from April 1, 1999, in place of the National Telecom Policy 1994. The objectives of the New Telecom Policy are to make available affordable and effective communications for the citizens and strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas, and the provision of high-level services capable of meeting the needs of the country's economy. The New Telecom Policy requires all access providers, including cellular mobile telephone services providers, fixed telephone service provider and cable service providers, to provide interconnection to the NLDOs.

Broadband Policy, 2004

The Ministry of Communications and Information Technology notified the broadband policy in 2004. Some of the issues addressed in the broadband policy include identifying various present and potential technologies that could accelerate the growth of broadband infrastructure in the country; requesting TRAI to prescribe Quality of Service Parameters for provisioning of broadband service using various access technologies at an early date, etc. The policy lays emphasison the spread of optical fibre network and gives permission to access providers to enter into mutually agreed commercial arrangements for utilisation of available copperloop for expansion of broadband services. The policy further provides that cable TV network can be used as a franschisee network of the service provider for provding broadband services. However, licensee will be responsible for ensuring compliance with the terms of the license.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief History

Incorporation of our Company

In 1980 the Rajadhyaksha Committee on Power Sector Reforms submitted its report to the Government of India suggesting extensive reforms in the Indian power sector. Based on the recommendations of the Rajadhyaksha Committee, in 1981 the Government of India took the policy decision to form a national power grid which would pave the way for the integrated operation of the central and regional transmission systems.

Pursuant to this decision to form a national power grid, our Company was incorporated on October 23, 1989 under the Companies Act, 1956 as the National Power Transmission Corporation Limited, with the responsibility of planning, executing, owning, operating and maintaining the high voltage transmission systems in the country. We received a certificate for commencement of business on November 8, 1990. Subsequently, the name of our Company was changed to Power Grid Corporation of India Limited with effect from October 23, 1992.

Change in Registered Office

The Registered Office of our Company is located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016. The registered office was shifted to its present location from Hemkunt Chambers, 89, Nehru Place, New Delhi with effect from July 29, 1998 pursuant to a resolution of the Board of Directors.

Transfer of transmission assets from generating units

Initially, our Company was engaged in the management of the transmission assets owned by the central generating companies such as the National Thermal Power Corporation Limited, National Hydro Electric Power Corporation Limited and North-Eastern Electric Power Corporation Limited . In January 1993, the National Thermal Power Corporation Limited, the National Hydro Electric Power Corporation Limited and the North-Eastern Electric Power Corporation Limited (Acquisition and Transfer of Power Transmission Systems) Ordinance ("Power Transmission Systems Ordinance") was enacted pursuant to which the right, title and interest of these three power generating companies in relation to the power transmission system, comprising of the main transmission lines, including the extra high voltage alternative current transmission lines and the HVDC lines, and sub-stations, owned by them, were acquired by the Government of India and transferred to our Company, with effect from April 1, 1992. Under the Power Transmission Systems Ordinance, our Company acquired all the rights, liabilities, assets, leaseholds, powers, authorities and privileges and all movable and immovable property relating to the power transmission systems owned by the three generating companies. The Power Transmission Systems Ordinance also provided that all employees of the three generating companies who were associated with power transmission systems would be deemed to be the employees of our Company. In April 1993, the Power Transmission System Ordinance became a statute after receiving the assent of the President of India.

Transmission assets of Neyveli Lignite Corporation Limited were taken over by our Company with effect from April 1992 under the Neyveli Lignite Corporation Limited (Acquisition and Transfer of Power Transmission System) Act, 1994. The transmission assets of Nuclear Power Corporation Limited and Tehri Hydro Development Corporation Limited have also been transferred to our Company with effect from April 1991 and August 1993 respectively pursuant to MoUs executed with our Company.

Regional Load Despatch Functions

In 1994, the Government of India entrusted our Company with the further responsibility of controlling the existing load despatch centres in the country with a view to achieve better grid management and operation. Pursuant to this decision, the control of the five regional load despatch and communication centres was transferred to our Company in a phased manner between 1994 and 1996. Our Company has undertaken the unified load despatch and communication project ("ULDC") under which modernized load despatch facilities have been established in each of the five regional centres. The establishment of a national load despatch centre is also underway. The implementation of the ULDC project has, amongst other things, caused the reduction of grid disturbances, improved grid reliability and facilitated the effective implementation of availability based tariff.

Designation as the Central Transmission Utility

Our Company was notified as the Central Transmission Utility by the Government of India on December 31, 1998. We continue to be the CTU under the Electricity Act, 2003 as per the notification issued by the GoI on November 27, 2003. Amongst other functions, as CTU we are required to (a) undertake transmission of electricity through the inter-state transmission system; (b) discharge all functions of planning and co-ordination relating to inter-state transmission systems along with certain specified authorities and stakeholders; (c) ensure development of an efficient, co-ordinated and economical system of inter-state transmission lines for smooth flow of electricity from generating stations to load centres; and (d) provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act, 2003.

Under the Electricity Act, 2003 the CTU is required to undertake the functions of the RLDC and we are therefore responsible for (a) optimum scheduling and despatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region; (b) monitor grid operations; (c) keep accounts of quantity of electricity transmitted through the regional grid; (d) exercise supervision and control over the inter-state transmission system; and (e) carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the grid standards and grid code.

However, the National Electricity Policy states that the existing arrangement of CTU operating the RLDCs shall be reviewed by the Government of India based on the experience of working with the existing arrangement and that a view on this aspect would be taken by December 2005.

Mini Ratna

On October 14, 1998 our Company was notified as a Mini Ratna (Category I) company by the Government of India. As a Mini Ratna company we are eligible for enhanced delegation of powers to our Board, including (a) power to incur capital expenditure without governmental approval up to Rs. 5,000 million or equal to our net worth, whichever is less, (b) power to establish joint ventures and subsidiaries with an equity investment up to 15% of our net worth for a single project, subject to a maximum of Rs. 5,000 million. The overall ceiling on all investments shall be 30% of our net worth and (c) power to enter into mergers and acquisitions subject to certain conditions.

Role in distribution reforms and rural electrification

In 2001, our Company was assigned the role of an advisor-cum-consultant, by the Government of India, for implementation of the Accelerated Power Development and Reform Programme ("APDRP") in 18 states. The objective of the APDRP is to give impetus to reforms in the power distribution sector and the responsibility of our Company extends to providing assistance to state

power utilities in formulation of detailed project reports ("DPRs"), to technically examine the DPRs and recommend the same to the MoP and to monitor the implementation of the schemes, the commercial performance and reform measures undertaken by the state power utilities in the assigned geographical areas. Our Company has also entered into bilateral agreements with seven state power utilities to implement certain APDRP schemes.

Additionally, our Company has been assigned a significant role in relation to implementation of projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana programme ("Rural Electrification Programme") for accelerated electrification of rural households to be undertaken in association with REC, the concerned state government and state power utility. For further details refer to the paragraph entitled "Material Agreements" on page 117 of this Red Herring Prospectus.

Major events

In addition to events described hereinabove, the following table illustrates the major events in the history of our Company since its incorporation in 1989.

Year	Event
1989	Our Company was incorporated as the National Power Transmission Corporation.
1991	Transmission assets from Nuclear Power Corporation Limited were transferred to our Company pursuant to a memorandum of understanding executed between the parties.
1992	Transmission assets from National Thermal Power Corporation Limited, National Hydroelectric Power Corporation Limited and North-Eastern Electric Power Corporation Limited were transferred to our Company pursuant to legislation promulgated by the Parliament.
1992	The name of our Company was changed from National Power Transmission Corporation to Power Grid Corporation of India Limited.
1993	Transmission assets of Tehri Hydro Development Corporation Limited were transferred to our Company pursuant to a memorandum of understanding executed between the parties.
1994	Our Company took over the management of the Southern Regional Load Despatch Centre.
1994	Our Company entered into a memorandum of understanding with the Ministry of Power, Government of India, which is revised annually. We achieved the highest rating of 'Excellent' under the memorandum of understanding.
1994	Transmission assets from Neyveli Lignite Corporation Limited were transferred to our Company pursuant to legislation promulgated by the Parliament.
1995	Our Company took over the management of the Eastern Regional Load Despatch Centre and the North Eastern Load Despatch Centre.
1996	Our Company took over the management of the remaining two regional load despatch centres, namely, the Northern Regional Load Despatch Centre and the Western Load Despatch Centre.
1998	Our Company formulated an Environment and Social Policy and Procedures code to deal with environmental and social issues relating to its transmission projects.
1998	Our Company was formally notified as a Central Transmission Utility by the Government of India.
1998	Our Company was declared as a Mini Ratna Category I public sector undertaking by the Government of India.
2001	Our Company was granted Infrastructure Provider II license (IP II) from the Department of Telecommunications, Government of India to pursue leasing of bandwidth capacity to various customers on its telecommunications network.
2002	The unified load dispatch and communications schemes for the northern and southern regions were commissioned.
2002	Our Company was appointed as the Advisor-cum-Consultant under the Accelerated

Year	Event
	Power Development Reform Program by the Ministry of Power, Government of India for power sector reforms.
2002	The Sasaram HVDC back to back transmission system developed by our Company was commissioned leading to the completion of the first phase of the construction of the National Grid.
2002	The 2,000 MW Talchar-Kolar bipolar HVDC link developed by our Company was commissioned.
2003	Our Company entered into a joint venture arrangement with The Tata Power Company Limited implementing a part of the entire transmission system associated with Tala Hydro-Electric Project which was the first public-private sector initiative in the transmission sector.
2003	The 400 KV Raipur-Rourkela line transmission line developed by our Company was commissioned and the Western region, Eastern Region and North-Eastern Region begin operating in a synchronised manner with a cumulative capacity of 50,000 MW
2003	Our Company secured its first international consultancy contract from Bhutan Telecommunications
2005	The unified load dispatch and communications scheme for the eastern region was commissioned.
2006	The unified load dispatch and communications scheme for the western region was commissioned.
2006	Our Company entered into an agreement with Rural Electrification Corporation Limited and certain state governments and state utilities for undertaking rural electrification works under the Rajiv Gandhi Grameen Vidyutikaran Yojana in nine states.
2007	Dedication of transmission system associated with Tala Hydro-Electric Project which was the first public-private sector initiative in the transmission sector by Hon'ble Prime Minister Dr. Manmohan Singh.

Certifications, Awards and Recognitions

We have received the following certifications, awards and recognitions for achieving and maintaining high standards in various aspects of our business.

Year	Certification/ Award
1993-1994 to present	Our Company has continuously received the 'Excellent' rating under the memorandum of understanding with the Ministry of Power, Government of India since 1993-1994.
1998-1999 to 2000-2001 and 2002 – 2003 to 2005-2006	Our Company was awarded the MoU Excellence Award
2000-2001	Our Company was awarded the Indo-German Greentech Environment Excellence Award for implementation of Environment and Social Policy and Procedures and green belt development.
2004	Our Company was awarded the Golden Peacock National Quality Award (Runners Up) in relation to quality standards.
2004	Our Company was certified to operate an integrated management system which complies with the requirements of BS EN ISO 9001:2000, BS EN ISO 14001:1996 and OHSAS 18001:1999 standards in relation to quality, environment and occupational health and safety standards respectively with respect to design, engineering, procurement, construction, operation and maintenance activities for transmission systems up to 800 KV, HVDC, Supervisory Control and Data Acquisition (SCADA), Energy Management Systems and Communication Projects.
2006	Our Company was awarded the Green Award 2006 by the World Bank with

Year	Certification/ Award
	respect to the Powergrid System Development Project II for commitment in the field of environmental sustainability.
2006	The Eastern and North Eastern region of our Company were awarded the prize for the best transmission system availability under Category I and Category II, respectively for the year 2004 – 05.
2007	Our Company was certified for PAS 99:2006 integrating the requirement of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems.

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

(i) To plan, promote and develop an integrated and efficient power transmission system network in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports, construction, operation and maintenance of transmission lines, sub-stations, load despatch stations and communication facilities and appurtenant works, coordination of integrated operation of regional and national grid system, providing consultancy services in power systems field, execution of turn-key jobs for other utilities/ organisations, wheeling of power, purchase and sale of power in accordance with the policies, guidelines and objectives laid down by the Central Government from time to time.

(ii) To act as an agent of Government/Public Sector Financial institutions, to exercise all the rights and powers exercisable at any meeting of any company engaged in the planning, investigation, research, design and preparations of preliminary, feasibility and definite project reports, manufacture of power plant and equipment, construction, generation, operation and maintenance of power transmission system from power generating stations and projects, transmission, distribution and sale of power in respect of any shares held by the Government, public financial institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries.

(iii) To carry on the business of purchasing, manufacturing, selling, importing, exporting, producing, trading, manufacturing plant, equipment and otherwise dealing in all aspects of planning, investigation, research, design, engineering and construction and establishment, operation and maintenance of power transmission systems, distribution systems, generating stations, consultancy and execution of turnkey jobs for other utilities/ organisations and purchase and sale of power, power system development, ancillary and other allied industries and for that purpose to install, operate and manage generating stations and all necessary transmission & distribution lines, sub-stations, switchyards, load despatch stations and communication facilities, establishments and allied works.

(iv) To plan, promote, develop, erect and maintain, operate and otherwise deal in telecommunications networks and services in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports; to purchase, sell, import, export, assemble, manufacture, install, commission, maintain, operate commercially whether on own or along with others, on lease or otherwise, these networks and for such purposes to set up and/or install all requisite communications facilities and other facilities including fibre optic link, digital microwave links, communication cables, other telecommunication means, telephone and other exchanges, co-axial stations, microwave stations, repeater stations, security system databases, billing systems, subscriber management systems and other communication systems whether

consisting of sound, visual impulse, or otherwise, existing or that may be developed or invented in the future and to manufacture, purchase, sell, import, export, assemble, take or give on lease/rental/subscription basis or by similar means or otherwise deal in all components and other support and ancillary hardware and software systems, accessories, parts and equipments, etc. used in or in connection with the operation of the above communication systems and networks including to deal with telecommunication operators or directly with the general public, commercial companies or otherwise, to obtain the National Long Distance Operator (NLDO) License and acknowledge compliance with the terms and conditions of the License Agreement entered into with Department of Telecommunications (DOT).

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association pursuant to resolutions of our shareholders:

Date of Amendment	Details
October 25, 1991	Clause 3 of the main objects clauses was amended to read as under "To carry on the business of purchasing, manufacturing, selling, importing, exporting, producing, trading, manufacturing plant, equipment and otherwise dealing in all aspects of planning, investigation, research, design, engineering and construction and establishment, operation and maintenance of power transmission systems, distribution systems, generating stations, consultancy and execution of turnkey jobs for other utilities/ organisations and purchase and sale of power, power system development, ancillary and other allied industries and for that purpose to install, operate and manage generating stations and all necessary transmission & distribution lines, sub-stations, switchyards, load despatch stations and communication facilities, establishments and allied works".
September 30, 1992, approved by the RoC on October 23, 1992	The name of our Company was changed from National Power Transmission Corporation Limited to Power Grid Corporation of India Limited.
February 22, 2000	A new object was inserted as clause 3 A of the main objects clause. The new object is "To plan, promote, develop, erect and maintain, operate and otherwise deal in telecommunications networks and services in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports; to purchase, sell, import, export, assemble, manufacture, install, commission, maintain, operate commercially whether on own or along with others, on lease or otherwise, these networks and for such purposes to set up and/or install all requisite communications facilities and other facilities including fibre optic link, digital microwave links, communication cables, other telecommunication means, telephone and other exchanges, coaxial stations, microwave stations, repeater stations, security system databases, billing systems, subscriber management systems and other communication systems whether consisting of sound, visual impulse, or otherwise, existing or that may be developed or invented in the future and to manufacture, purchase, sell, import, export, assemble, take or give on lease/rental/subscription basis or by similar means or otherwise deal in all components and other support and ancillary hardware and software systems, accessories, parts and equipments, etc. used in or in connection with the operation of the above communication systems and networks including to deal with telecommunication operators or directly with

Date of Amendment	Details
	the general public, commercial companies or otherwise."
June 13, 2006	Clause 3A was further amended and the following sentence was added "to obtain the National Long Distance Operator (NLDO) Licence and acknowledge compliance with the terms and conditions of the Licence Agreement entered into with Department of Telecommunications"
March 28, 2007	The authorised share capital of our Company was increased from Rs. 50,000 million divided into 50,000,000 equity shares of Rs. 1,000 each to Rs.100,000 million divided into 10,000,000,000 Equity Shares of Rs. 10 each. Each equity share of Rs. 1,000 has been split into 100 Equity Shares of Rs. 10 each.

Our Subsidiaries

We have two Subsidiaries. None of our subsidiaries is a listed company. None of our Subsidiaries is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to a winding-up order.

1. Parbati Koldam Transmission Company Limited ("PKTCL")

PKTCL was originally incorporated as Bina Dehgam Transmission Company Limited ("BDTCL") on September 2, 2002 with the objective of establishing the 400KV D/C Bina-Nagda and 400KV D/C Nagda-Dehgam transmission lines. BDTCL was envisaged to be transferred to an Independent Private Transmission Company ("IPTC"). The proposed IPTC failed to get the license from the CERC. Hence, our Board of Directors decided that BDTCL should be engaged in the implementation of the Parbati and Koldam transmission systems through the joint venture route. The name of the company was subsequently changed to Parbati Koldam Transmission Company Limited with effect from December 30, 2005. Its registered office is located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016.

Presently, PKTCL is not undertaking any business activity.

Shareholders

Shareholders	Number of equity shares	Holding
Power Grid Corporation of India Limited	49,994	99.99
Mr. S. Majumdar (as a nominee of POWERGRID)	1	Negligible
Mr. V.M. Kaul (as a nominee of POWERGRID)	1	Negligible
Mr. A. Mohan (as a nominee of POWERGRID)	1	Negligible
Mr. J. Sridharan (as a nominee of POWERGRID)	1	Negligible
Mr. A. Jain (as a nominee of POWERGRID)	1	Negligible
Mr. A. Kumar (as a nominee of POWERGRID)	1	Negligible

Board of directors

The board of Directors of PKTCL comprises Mr. J. Sridharan, Mr. A. Mohan and Mr. A. Jain.

Financial Performance

The financial information of PKTCL for the preceding three fiscal years is as set forth below:

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Equity Capital (in Rs.)	500,000	500,000	500,000
Reserves (excluding revaluation reserves)	Nil	Nil	Nil

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Income	Nil	Nil	Nil
Profit after tax	Nil	Nil	Nil
Earning per share (in Rs.)	Nil	Nil	Nil
Net Asset value per share (in Rs.)	7.94	8.37	8.78

2. Byrnihat Transmission Company Limited ("BTCL")

BTCL was incorporated on March 23, 2006. Its registered office is located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016. BTCL has been formed with the objective of undertaking the implementation of the 220 KV D/C Misa Byrnihat transmission line. Presently, BTCL is not undertaking any business activity.

Shareholders

Shareholder	Number of equity shares	Holding
Power Grid Corporation of India Limited	49,994	99.99
Mr. J. Sridharan (as a nominee of POWERGRID)	1	Negligible
Mr. Rajeev Mohan (as a nominee of POWERGRID)	1	Negligible
Mr. R.N. Nayak (as a nominee of POWERGRID)	1	Negligible
Mr. I.C. Jaiswal (as a nominee of POWERGRID)	1	Negligible
Mr. A. Jain (as a nominee of POWERGRID)	1	Negligible
Mr. V. M. Kaul (as a nominee of POWERGRID)	1	Negligible

Board of directors

The board of Directors of BTCL comprises Dr. R.P. Singh, Mr. J. Sridharan, and Mr. I.S. Jha.

Financial Performance

The financial information of BTCL for the Fiscal 2007 is as set forth below:

	Fiscal 2007
Equity Capital (in Rs.)	500,000
Reserves (excluding revaluation reserves)	Nil
Income	Nil
Profit after tax	Nil
Earning per share (in Rs.)	Nil
Net Asset value per share (in Rs.)	8.91

Common Pursuits

Both our Subsidiaries have been incorporated for undertaking specific projects for the transmission of power.

Our Joint Ventures

We have entered into three joint venture arrangements pursuant to which the following joint venture companies have been incorporated:

1. Powerlinks Transmission Limited ("PTL")
2. Torrent Powergrid Limited ("TPL")
3. Jaypee Powergrid Limited ("JPL")

The key agreements entered into by our Company in relation to the joint venture arrangements and brief details of the joint venture companies are described below.

1. Powerlinks Transmission Limited ("PTL")

Our Company is responsible for implementing the entire transmission system associated with the Tala Hydro-Electric Project being developed at Bhutan. We have entered into a joint venture arrangement with The Tata Power Company Limited ("Tata Power") for establishing specific transmission lines associated with the Tala Hydro-Electric Power Project. ("Tala JV Transmission Project") on a BOOT basis. The joint venture company PTL has been incorporated pursuant to this joint venture agreement for the purpose of implementing the Tala JV Transmission Project.

A. Shareholders Agreement

On July 4, 2003 we executed a shareholders' agreement with the Tata Power Company Limited ("Tata Power") and PTL in relation to the Tala JV Transmission Project ("Tata SHA"). The Tata SHA provides that 49% of the paid-up equity share capital of PTL shall be subscribed and held by our Company while the remaining 51% paid up equity capital of PTL shall be subscribed and held by Tata Power and its affiliates. However, Tata Power is required to hold at least 49% of the paid-up equity capital and its affiliates (which shall be a maximum of two entities) shall hold not more than 2% of the paid-up equity capital. We have the right to maintain our shareholding at this prescribed level by subscribing to any future issue of shares of PTL, in proportion to our current share holding.

As long as we continue to hold at least 49% of the paid-up equity share capital of PTL, our Company shall have the right to nominate up to four directors. Further, as long as we continue to hold 26% of the paid-up equity share capital of PTL our Company shall have the right to nominate the non-executive chairman of PTL. Tata Power shall have the right to nominate five directors on the board of PTL as long as it continues to hold at least 51% of the paid-up equity share capital of PTL. The managing director of PTL shall be a nominee of Tata Power, who is responsible for the management of day to day affairs of PTL. In the event of a change in shareholding in PTL, each shareholder shall be entitled to nominate one director on the board of PTL for each block of 10% of the paid-up equity share capital held by such shareholder. Further, the lenders for the Tala JV Transmission Project shall have a right to nominate two directors on the board of PTL.

As long as we hold 10% of the paid-up equity capital of PTL, our affirmative vote is required at meetings of the board of directors and shareholders of PTL, for certain specified matters, including amongst others, any amendments to its memorandum and articles of association, creation of a subsidiary or any increase or other alteration in the issued share capital of PTL.

The parties to the Tata SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of PTL so as to ensure that PTL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance, including transaction of all business of PTL on an arms length basis and in accordance with the polices established by the board of directors from time to time. Our Company and Tata Power have also undertaken to exercise voting rights at shareholder and board meetings of PTL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of PTL are conducted in accordance with the Tata SHA.

Tata Power is primarily responsible for ensuring that PTL raises capital and other finances required for its business.

Subject to certain specified exceptions, our Company and Tata Power cannot transfer any of the shares of PTL for a period of five years from the actual commercial operation date of the completed project. Either party may transfer shares of PTL after the aforesaid period after giving the right of first refusal to the other party and following the procedures established in the Tata SHA.

Our Company and Tata Power have provided certain standard representations and warranties in connection with the transactions contemplated in the Tata SHA.

The Tata SHA is governed by Indian law.

B. Amended and Restated Implementation Agreement

On July 4, 2003 we entered into an implementation agreement with PTL which was subsequently revised through an amended and restated implementation agreement executed with PTL on April 8, 2004 ("Tala Implementation Agreement"). The Tala Implementation Agreement provides for matters relating to the development and construction of the Tala JV Transmission Project by PTL and establishes the obligations of each party in relation to the same. PTL is responsible for constructing and commissioning the Tala JV Transmission Project in accordance with technical specifications and particulars at its own cost and expense. We have the right to exercise supervision and control over the Tala JV Transmission Project provided it does not interfere with the rights of PTL and the performance of its obligation under the Tala Implementation Agreement. If the PTL fails, for reasons solely attributable to it, to commission any phase of the Tala JV Transmission Project by its commercial operation date, it is required to pay us 0.5% of the cost of development of the phase which has been delayed as liquidated damages for each week of delay subject to a maximum limit of 5% of the cost of development of such phase. Since we are responsible for developing the remaining transmission system associated with the Tala Hydro-Electric Project, our Company is required to provide inter-connection facilities for testing and commission the Tala JV Transmission Project. In the event of our failure to complete and make available the interconnection facilities to PTL on time, our Company shall be liable to pay the damages for the delay which shall be calculated in the manner stated above.

The schedule to the Tala Implementation Agreement lays down the circumstances under which we shall be required to buy-out the Tala JV Transmission Project and prescribes the procedure for buy-out. We have subsequently entered into a supplementary agreement with PTL on October 7, 2004 for modifying the buy-out procedure ("Supplementary Tala Implementation Agreement"). The Supplementary Tala Implementation Agreement provides that in the event PTL serves a termination notice to us under the Tala Implementation Agreement in relation to an event of default of the agreement by our Company, we shall subject to CERC approval be required, within 120 days of such notice, to purchase all assets of PTL comprising the Tala JV Transmission Project (including land, building, plant and equipment, spare parts, records, drawings and other consumables). In the event we serve a termination notice on PTL under Implementation Agreement in relation to an event of default of the agreement by PTL, then subject to approval of the CERC, we shall within six months of such termination notice purchase all assets of PTL comprising the Tala JV Transmission Project. However, if we serve a termination notice on PTL in relation to a *force majeure* event the buy-out shall occur within 120 days subject to the CERC approval. In the event PTL serves a termination notice on us in relation to a *force majeure* event the buy-out shall occur within 120 days subject to the CERC approval. In each case, the price at which we shall purchase the Tala JV Transmission Project will be determined in accordance with the provisions of the Tala Implementation Agreement on the basis of a valuation conducted by an independent firm. The methodology for calculating the buy-out price is prescribed for each circumstance leading to the buy-out.

C. Amended and Restated Transmission Service Agreement

On July 4, 2003 we entered into a transmission service agreement with PTL which was subsequently revised through an amended and restated transmission service agreement executed with PTL on April 8, 2004 ("Tala TSA") for the purchase of the entire transmission capacity of the Tala JV Transmission Project. Subject to the approval of the CERC we have the exclusive right to purchase the entire transmission capacity of the Tala JV Transmission Project for a prescribed transmission charge payable on a monthly basis from the date on which a phase of the Tala JV Transmission Project is first

commissioned until the expiry of the Tala TSA i.e. 25 years from the date of issue of a transmission license to PTL (unless the term of the transmission license is extended, subject to a period no later than 30 years from the date of commercial operation of the last phase of the Tala JV Transmission Project) ("Expiry Date"), or its termination, whichever is earlier. PTL is responsible for maintaining and repairing the Tala JV Transmission Project and it must ensure that the Tala JV Transmission Project is fit to be operated and is maintained in accordance with the Indian Electricity Grid Code, operating procedures, etc.

The schedule to the Tala TSA lays down the circumstances under which we shall be required to buy-out the Tala JV Transmission Project and prescribes the procedure for buy-out. We have subsequently entered into a supplementary agreement with PTL on October 7, 2004 for modifying the buy-out procedure ("Supplementary Tala TSA"). The events leading to buy-out are similar to the Tala Implementation Agreement described above. However, our Company shall have the additional right to purchase each phase of the Tala JV Transmission Project on the Expiry Date. In each case, the price at which we shall purchase the Tala JV Transmission Project will be determined in accordance with the provisions of the Tala Transmission Services Agreement on the basis of a valuation conducted by an independent firm. The methodology for calculating the buy-out price is prescribed for each circumstance leading to the buy-out.

Details of PTL

PTL was originally incorporated as Tala-Delhi Transmission Limited on May 4, 2001. The name of the company was subsequently changed to PTL with effect from August 27, 2003. Its registered office is located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016.

Shareholders

Shareholder	Number of equity shares	Percentage Holding
TATA Power Company Limited	238,680,000	51
Power Grid Corporation of India Limited	229, 320,000	49

Board of directors

The board of directors of PTL comprises Dr. R. P. Singh, Mr. V. M. Kaul, Mr. J. Sridharan, Mr. S. Ramakrishnan, Mr. P. R. Menon, Mr. P. K. Jha and Mr. S. Sachdev.

Financial Performance

The financial information of PTL for the preceding three fiscal years is as set for the below:

(Rs. in 000's, unless otherwise stated)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Equity Capital	4,680,000	4,200,000	1,951,000
Reserves (excluding revaluation reserves)	105,735	Nil	Nil
Income	1,384,545	Nil	Nil
Profit after tax	205,735	Nil	Nil
Earning per share (in Rs.)	0.47	Nil	Nil
Net Asset value per share (in Rs.)	10.23	10	10

2. Torrent Powergrid Limited

Torrent Power Limited ("Torrent") is implementing a 1,100 MW power generation project at Akhakhol in Surat, Gujarat. We have entered into a joint venture arrangement with Torrent for establishing associated transmission lines for the aforesaid generation unit ("Sugen Transmission Project"). The joint venture company TPL has been incorporated pursuant to this joint venture agreement for the

purpose of implementing the Sugen Transmission Project on a BOO basis. The scope of the joint venture with Torrent Power Limited consists of 496 circuit kilometres of transmission line and is expected to be completed by Fiscal 2010.

A. Amended and Restated Shareholders' Agreement

On June 15, 2006 we entered into a shareholders' agreement with Torrent and TPL which was subsequently revised through an amended and restated shareholders' agreement executed with Torrent and TPL on February 23, 2007 in relation to the Sugen Transmission Project ("Torrent SHA"). The Torrent SHA provides that 26% of the paid-up equity share capital of TPL shall be subscribed and held by our Company while the remaining paid-up equity capital of TPL shall be subscribed and held by Torrent. We have the right to maintain our shareholding at this prescribed level by subscribing to any future issue of shares of TPL, in proportion to our current shareholding.

The Torrent SHA provides that the board of directors of TPL shall comprise of not more than 12 directors. As long as we continue to hold 26% of the paid-up equity share capital of TPL, our Company shall have the right to nominate up to three directors on the board of TPL. Further, our Chairman shall be the non-executive chairman of TPL. Torrent shall have the right to nominate seven directors on the board of TPL as long as it continues to hold at least 74% of the paid-up equity share capital of TPL. The managing director of TPL shall be a nominee of Torrent, who is responsible for the management of day to day affairs of TPL. Further, the lenders for the Sugen Transmission Project shall have a right to nominate two directors on the board of TPL.

As long as we hold 10% of the paid-up equity capital of TPL, our affirmative vote is required at meetings of the board of directors and shareholders of TPL, for certain specified matters, including amongst others, any amendments to its memorandum and articles of association, creation of a subsidiary or any increase or other alteration in the issued share capital of TPL.

Our Company and Torrent, as shareholders of TPL, are required to exercise powers and cause our respective nominees to exercise their powers in meetings of the board of directors of TPL so as to ensure that TPL carries on its business in a proper and efficient manner and to ensure that TPL complies with certain specified principles of good corporate governance, including transaction of all its business on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and Torrent have also undertaken to exercise voting rights at shareholder and board meetings of TPL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of TPL are conducted in accordance with the Torrent SHA.

Torrent is primarily responsible for ensuring that TPL raises capital and other finances required for its business.

Subject to certain specified exceptions, our Company and Torrent cannot transfer any of the shares of TPL for a period of five years from the actual commercial operation date of the completed project. Either party may transfer shares of TPL after the aforesaid period after giving the right of first refusal to the other party and following the procedures established in the Torrent SHA.

Our Company and Torrent have provided certain standard representations and warranties in connection with the transactions contemplated in the Torrent SHA.

The Torrent SHA is governed by Indian law.

B. Amended and Restated Implementation and Transmission Service Agreements

For the purpose of implementation of the Sugen Transmission Project, TPL entered into an implementation agreement and a transmission services agreement with Torrent which were revised through the execution of an amended and restated Implementation Agreement ("Torrent

Implementation Agreement") and an amended and restated Transmission Services Agreement ("Torrent Transmission Services Agreement"). The revisions in the agreements were made to delete the buy-out provisions in the agreements.

The Torrent Implementation Agreement provides for matters relating to the development and construction of the Sugen Transmission Project by TPL and establishes the obligations of each party in relation to the same. The Torrent Implementation Agreement in relation to each phase of the Sugen Transmission Project is valid until the date of commercial operation of such phase or any other date which may be mutually agreed between the parties.

Under the Torrent Transmission Services Agreement, Torrent has agreed to purchase the entire transmission capacity of the Sugen Transmission Project from TPTPL for a specified transmission charge. The Torrent Transmission Services Agreement is valid until 25 years from the date of issue of the transmission license to TPL.

The Torrent Implementation Agreement and the Torrent Transmission Service Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party in the manner specified in the agreements, pursuant to which the Sugen Transmission Project may be sold by TPL subject to approval of the CERC.

Details of TPL

TPL was incorporated on August 25, 2005. Its registered office is located at Electricity House, Lal Darwaja, Ahmedabad 380 001. With effect from May 4, 2007 TPL became a public limited company and its name was changed from Torrent Power Transmission Private Limited to Torrent Power Grid Limited.

Shareholders

Shareholder	Number of equity shares	Percentage Holding
Torrent Power Limited	37,000	74
Power Grid Corporation of India Limited	13,000	26

Board of directors

The board of Directors of TPL comprises Dr. R.P.Singh, Mr. C.S. Tomar, Mr. V. C. Jagannathan, Mr. S. Mehta, Mr. S. K. Duggal, Mr. S. Shah, Mr. Deepak Dalal and Mr. K.K. Shah

Financial Performance

The financial information of TPL for Fiscal 2007 and 2006 is as set for the below:

	Fiscal 2007	Fiscal 2006
Equity Capital	500,000	100,000
Reserves (excluding revaluation reserves)	Nil	Nil
Income	Nil	Nil
Profit after tax	Nil	Nil
Earning per share (in Rs.)	Nil	Nil
Net Asset value per share (in Rs.)	3.26	6.22

3. Jaypee Powergrid Limited ("JPL")

Jaypee Karcham Hydro Corporation Limited ("JKHCL") is setting up a 1,000 MW power generation project at Karcham in Kinnaur, Himachal Pradesh. We have entered into a joint venture arrangement with Jaiprakash Hydro-Power Limited ("Jaiprakash") for establishing associated transmission lines for

the aforesaid generation unit ("Karcham Transmission Project") on a BOO basis. The joint venture company JPL has been incorporated pursuant to this joint venture agreement for the purpose of implementing the Karcham Transmission Project. The joint venture with Jaypee Powergrid Limited consists of 468 circuit kilometres of transmission line with a capacity of 1,000 MW and is expected to be completed by Fiscal 2011.

A. Shareholders' Agreement

On February 22, 2007 we executed shareholders' agreement with Jaiprakash and JPL in relation to the Karcham Transmission Project. ("Jaiprakash SHA"). The Jaiprakash SHA provides that 26% of the paid-up equity share capital of JPL shall be subscribed and held by our Company while the remaining paid-up equity capital of JPL shall be subscribed and held by Jaiprakash. We have the right to maintain our shareholding at this prescribed level by subscribing to any future issue of shares of JPL, in proportion to our current share holding.

The board of directors of JPL shall comprise of not more than 12 directors. As long as we continue to hold 26% of the paid-up equity share capital of JPL, our Company shall have the right to nominate up to three directors on the board of JPL. Further, our Chairman shall be the non-executive chairman of JPL. Jaiprakash shall have the right to nominate seven directors on the board of JPL as long as it continues to hold at least 74% of the paid-up equity share capital of JPL. The managing director of JPL shall be a nominee of Jaiprakash, who is responsible for the management of day to day affairs of JPL. Further, the lenders for the Karcham Transmission Project shall have a right to nominate two directors on the board of JPL. However, presently we hold only 20.63% of the paid-up capital of JPL.

So long as we hold 10% of the paid-up equity capital of JPL, our affirmative vote is required at meetings of the board of directors and shareholders of JPL, for certain specified matters, including amongst others, any amendments to its memorandum and articles of association, creation of a subsidiary or any increase or other alteration in the issued share capital of JPL.

The parties to the Jaiprakash SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of JPL so as to ensure that JPL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance including transaction of all business on an arms length basis and in accordance with the polices established by the board of directors from time to time. Our Company and Jaiprakash have also undertaken to exercise voting rights at shareholder and board meetings of JPL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of JPL are conducted in accordance with the Jaiprakash SHA.

Jaiprakash is primarily responsible for ensuring that JPL raises capital and other finances required for its business.

Subject to certain specified exceptions, our Company and Jaiprakash cannot transfer any of the shares of JPL at any time till the actual commercial operation date of the completed project. Either party may transfer shares of JPL after the aforesaid period in the following manner:

(a) after the actual commercial operation date of the completed project and for a period of 5 years from such date both Jaiprakash (including its affiliates) and our Company shall have the right to reduce our respective shareholdings in JPL in excess of 51% and 10%, of the paid up share capital respectively by way of transferring such shares to a strategic investor or through a public listing.

(b) after the completion of 5 years from the actual commercial operation date of the project both Jaiprakash (including its affiliates) and our Company shall have the right to transfer their respective shares to a strategic investor or through public listing. However, as long as our

Company holds at least 10% of the paid up share capital of JPL under no circumstances can the shareholding of Jaiprakash fall reduce below 26%.

Either party may transfer shares of JPL to a strategic partner after the aforesaid periods after giving the right of first refusal to the other party and following the procedures established in the Jaiprakash SHA. In the event Jaiprakash decides to sell its shares in JPL through a public listing, it can do so by giving our Company the right to sell a proportionate percentage of its shares to the public on the same terms and conditions by following the procedures established in the Jaiprakash SHA. In the event our Company decides to sell its shares in JPL through a public listing, it can do so by giving Jaiprakash the right to sell an equal number of shares to the public on the same terms and conditions by following the procedures established in the Jaiprakash SHA.

Our Company and Jaiprakash have provided certain standard representations and warranties in connection with the transactions contemplated in the Jaiprakash SHA.

The Jaiprakash SHA is governed by Indian law.

B. Implementation and Transmission Service Agreements

For the purpose of implementation of the Karcham Transmission Project, JKHCL has entered into an Implementation Agreement ("Karcham Implementation Agreement") and a Transmission Services Agreement ("Karcham Transmission Services Agreement") with JPL.

The Karcham Implementation Agreement provides for matters relating to the development and construction of the Karcham Transmission Project by JPL and establishes the obligations of each party in relation to the same. The Karcham Implementation Agreement is valid until the date of commercial operation of the Karcham Transmission Project or any other date which may be mutually agreed between the parties.

Under the Karcham Transmission Services Agreement, JKHCL has agreed to purchase the entire transmission capacity of the Karcham Transmission Project from JPL for a specified transmission charge. The Transmission Services Agreement is valid until 25 years from the date of issue of the transmission license to JPL or such extended period for which the transmission license is extended.

The Karcham Implementation Agreement and the Karcham Transmission Service Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party as specified in the agreements, pursuant to which JPL shall approach the CERC for sale of the Karcham Transmission Project.

Details of JPL

JPL was incorporated on October 5, 2006. Its registered office is located at JA House, 63, Basant Lok, Vasant Vihar, New Delhi 110 057.

Shareholders

Shareholder	Number of equity shares	Percentage Holding
Jaiprakash Hydro-Power Limited	50,000	79.37
Power Grid Corporation of India Limited	13,000	20.63

Board of directors

The board of Directors of JPL comprises Dr. R. P. Singh, Mr. R. B. Misra, Mr. P. Singh, Mr. M. Gaur, Mr. S. K. Sharma, Mr. R.K. Narayan, Mr. G. P. Singh, Mr. S. Jain and Mr. R. Bhardwaj.

Financial Performance

The financial information of JPL for Fiscal 2007 is as set for the below:

	Fiscal 2007
Equity Capital	630,000*
Reserves (excluding revaluation reserves)	Nil
Income	Nil
Miscellaneous Expenditure	3,385,159
Profit after tax	Nil
Earning per share (in Rs.)	Nil
Net Asset value per share (in Rs.)	(43.73)

** In addition, Rs. 36,500,000 have been paid by our Company to JPL as share application money for which shares are yet to be allotted.*

Proposed Joint Ventures

On March 23, 2006 we entered into two memoranda of understanding with certain parties in relation to the implementing of transmission systems associated with identified power generation projects ("Transmission MoUs"). The key terms and conditions of the Transmission MoUs (each of which are similar) are described below.

We have agreed to enter into shareholders' agreements and other necessary arrangements in due course to effectuate joint venture companies which shall be responsible for the implementation of the transmission systems. Our equity participation in the joint venture companies will be to the extent of 26% of the paid-up capital of the company. The joint venture companies will subsequently enter into an agreement for providing transmission facilities to the generating companies.

The Transmission MoUs are not legally binding on the parties and were valid for a period of one year unless extended by a mutual agreement. The Transmission MoUs have been extended up to March 22, 2008.

The following table provides brief details relating to the joint venture partner and the project for each Transmission MoU.

Sl No.	Proposed Joint Venture Partner	Project Envisaged
1.	Countrywide Power Transmission Limited	Implementation of transmission system associated with 1,200 MW Teesta Urja Limited, in Sankglan, Sikkim.
2.	Essar Power Limited	Implementation of transmission system associated with 1,500 MW capacity combined cycle power plant at Hazira, Gujarat.

Additionally, our Company in its Board Meeting dated August 14, 2007 has approved a joint venture with Infrastructure Leasing and Finance Services Limited on a 50:50 participation basis for taking up the development of transmission/sub-transmission projects in various states of India and outside India.

Entities in which our Company has substantial investment

Our Company along with certain other parties are the promoters of PTC India Limited ("PTC") (formerly known as Power Trading Corporation of India) a company in which we presently own 8% of the equity share capital. PTC was incorporated as a joint venture company on April 16, 1999 under

the Companies Act, 1956 and received certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting, trading all forms of electricity power and ancillary services.

Initially PTC was promoted by Power Finance Corporation Limited, National Thermal Power Corporation Limited and our Company, pursuant to a promoters' agreement executed on April 8, 1999. Subsequently, the National Hydroelectric Power Corporation Limited also became a promoter of PTC through a supplementary agreement dated November 29, 2002. Under the promoters' agreement our Company has the right to nominate one part-time director in PTC and our consent is necessary for the appointment of the chairman or chairman and managing director or managing director or any whole-time directors in PTC.

Other Material Agreements

Memorandum of Understanding with MoP

We enter into an annual memorandum of understanding with the MoP ("MoP MoU"). The MoP MoU provides for the exercise of enhanced autonomy and delegation of financial powers to us. The MoP MoU for the year 2007-2008 allows us to raise bonds and other loans to the extent of Rs. 38,000 million for timely implementation of our projects. It also gives us the option to regulate power supply to defaulting beneficiaries within the framework of the generic procedure notified by CERC.

The MoP MoU also establishes detailed performance evaluation parameters and targets against which our performance is to be evaluated. The parameters include financial performance indicators, financial returns, quality, customer satisfaction, business development, commercial targets, environment and social management, environment and social assessment of new projects and inventory management. Further, the MOP MoU for the year 2007-2008 lists down the commitment and assistance to be received from the Government of India which include matters such as the mitigation of tariff and realisation of dues from the beneficiaries in North-Eastern Region, discussions with the Ministry of Environment and Forest for expeditious clearance of projects to avoid delays in their timely execution, assistance for extending deemed export benefits for the projects proposed to be funded through external commercial borrowings or supplier's credit and assistance for extending benefits available under Mega Power Project Status to the transmission projects associated with such generation projects and transmission projects required for the establishment of proposed National Power Grid.

Under the MoP MOU we are required to submit quarterly reports on various performance areas within 30 days of the end of the quarter and our Board is required to ensure quarterly internal monitoring of the performance against the MoP MoU targets. The Ministry MoU will be in force and operational beyond 2007-2008 until such time, the same is modified by the signing of the subsequent memorandum of understanding between the parties.

Memorandum of Understanding with the Rural Electrification Corporation Limited ("REC")

On July 14, 2004 our Company entered into a memorandum of understanding with REC with respect to implementation of projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana ("Rural Electrification Programme") for accelerated electrification of rural households to be undertaken in association with the concerned state government and state power utility ("REC MoU").

The REC MoU provides that projects to be undertaken under the Rural Electrification Programme shall be identified by REC on the basis of proposals received from the concerned state government and state utilities. These projects shall be funded by the REC from funds sanctioned to the state government under the Rural Electrification Programme, and all such funds released by the REC for the identified projects shall be deemed to be drawn by the concerned state government.

Our Company is required to implement the distribution works under the respective projects on a deposit work basis and is responsible for their formulation, development and implementation (in accordance with guidelines, specifications and construction standards stipulated by REC) in a time-bound manner and in accordance with agreed competitive bidding procedures. Upon completion, the projects shall be taken over by the concerned state government / state power utility. However, if the concerned state government/state power utility so desire, our Company may take up the operation and management of the completed projects under a separate agreement with them. Further, if the concerned state government/state power utility so desire, the role of our Company may be limited to project monitoring and supervision of quality of construction, formulation and preparation of project reports, arranging required project approvals, providing advisory support during procurement and supervision of quality of construction.

Our Company is entitled to a service charge of 12% of the project cost in case we are involved in the implementation of the project and we shall be reimbursed for any additional statutory taxes payable by us. In case our scope of work is limited to (a) project monitoring and supervision of the work during construction or (b) formulation of project reports and project monitoring and supervision of the work during construction, we shall be entitled to charge 2% and 5% of the project cost respectively. Any statutory dues payable by our Company shall be reimbursed out of the funds sanctioned by the REC. Our Company is also required to maintain separate accounts for development and implementation of each such project.

Pursuant to the REC MoU we are involved with rural electrification projects in nine states and we have entered into agreements with the REC, the concerned state government and the concerned state power utility for each such project ("DMS Agreements"). Pursuant to the DMS Agreements, our Company is implementing such projects in certain specified geographical areas as per the mutual understanding between the parties.

The respective state power utilities are required to provide all the relevant geographical, technical and other data to our Company for implementation of the project. The land necessary to facilitate construction and commissioning of the projects will be provided by the state power utility and any compensation required for land acquisition will be released by our Company to the state utility from the project funds allocated to it by the REC. The state power utility shall also obtain any approvals required for the project.

Any disputes arising out of the DMS Agreements shall be settled amicably between the parties, failing which the same shall be referred to the Secretary, MoP, whose decision shall be final and binding on the parties concerned. The DMS Agreements shall remain valid unless terminated by mutual consent of the respective parties.

The list of the DMS Agreements entered into by our Company is set forth below:

Sl. No.	State Government	State Utility Company	Date of Agreement
1.	Government of Gujarat	Dakshin Gujarat Vij Company Limited	September 8, 2005
2.	Government of Orissa	Central Electricity Supply Company of Orissa Limited	October 5, 2005
3.	Government of Orissa	Southern Electricity Supply Company of Orissa Limited	October 5, 2005
4.	Government of Orissa	North Eastern Electricity Supply Company of Orissa Limited	October 5, 2005
5.	Government of Orissa	Western Electricity Supply Company of Orissa Limited	October 5, 2005
6.	Government of Rajasthan	Jaipur Vidyut Vitran Nigam Limited	September 14, 2005

Sl. No.	State Government	State Utility Company	Date of Agreement
7.	Government of Rajasthan	Ajmer Vidyut Vitran Nigam Limited	September 14, 2005
8.	Government of Rajasthan	Jodhpur Vidyut Vitran Nigam Limited	September 14, 2005
9.	Government of Chhatisgarh	Chhatisgarh State Electricity Board	November 16, 2005
10.	Government of Bihar	Bihar State Electricity Board	August 5, 2005
12.	Government of Uttar Pradesh	Poorvanchal Vidyut Vitran Nigam	July 13, 2005
13.	Government of Uttar Pradesh	Madhyanchal Vidyut Vitran Nigam	July 13, 2005
14.	Government of West Bengal	West Bengal State Electricity Board	June 24, 2005
15.	Government of Assam	Assam State Electricity Board	September 29, 2005
16.	Government of Tripura	Tripura State Electricity Board	October 31, 2005

Settlement Agreement with Canara Bank, Canbank Financial Services Limited and Canbank Mutual Fund

On March 8, 2007 our Company entered into a settlement agreement with Canara Bank, Canbank Financial Services Limited ("Canfina") and Canbank Mutual Fund for the settlement of certain disputes arising out of the issuance of bonds by our Company to Canfina ("Settlement Agreement").

In Fiscal 1992, our Company alloted bonds worth Rs. 1,200 million to Canfina (Rs. 800 million 17% taxable bonds and Rs. 400 million 9% tax free bonds), against which Rs. 940 million of allotment money was retained by Canfina as a deposit payable after one year. Subsequently, Canfina, transferred most of the bonds to Canara Bank, Canbank Mutual Fund and Citibank. However, our Company forfeited the bonds and did not recognize the transfer of bonds to these entities on the ground of non-receipt of the deposit amount from Canfina.

Canara Bank, Citibank and Canbank Mutual Fund initiated separate litigations against our Company with respect to the aforementioned dispute. Citibank during the pendency of litigation transferred all the rights and title in the said bonds back in favour of Canfina.

However, on June 8, 2006, a High Powered Committee on Disputes, refused Canara Bank and Canfina permission to litigate the matter and directed that the dispute should be amicably settled by the Department of Economic Affairs, Banking Division in consultation with the MoP. Pursuant to a series of discussions between the concerned parties, the Settlement Agreement was executed under which the parties agreed to finally settle all their disputes. The total net amount paid by our Company on March 8, 2007 to the Canara Bank group under the Settlement Agreement, as full and final settlement of the dispute, is Rs. 1,028.25 million. Canfina has agreed that under and after this settlement the Citibank will not have any claim whatsoever against our Company. Any claim at a later date from the Citibank will be settled by Canfina with no liability to our Company. The Settlement Agreement also provides for all parties to withdraw the pending litigation on this issue from all courts, pursuant to which the parties to the Settlement Agreement have withdrawn all pending litigation in this regard.

Thus, all the issues/litigation with regard to the bond issue 1992 with Canara Bank, Canbank Mutual Fund, Canfina and Citibank stands fully resolved.

Strategic and Financial Partners

Our Company does not have any strategic or financial partners. Further, our Company has not entered into any financial or technical agreements with any third parties.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than four directors and no more than 18 directors. Our Board presently consists of ten Directors out of which three are our whole-time Directors, two Directors are nominees of the Government of India and five are independent Directors.

The following table sets out the current details regarding our Board of Directors:

Name, Father's Name, Designation and Occupation	Age	Address	Other Directorships
Dr. R.P. Singh S/o Late Mr. H.N.Singh Chairman and Managing Director	59	Bungalow No. FF-1, Power Grid Residential Township, Sector-43, Gurgaon, Haryana-122002	• Powerlinks Transmission Limited • Byrnihat Transmission Company Limited • Torrent Power Grid Limited • Jaypee PowerGrid Limited • Member, Managing Committee, PHD Chamber of Commerce and Industry • Member, Executive Committee, Federation of Indian Chamber of Commerce and Industry
Mr. S. Majumdar S/o Mr. B.P.Majumdar Whole-time Director (Projects)	58	2071, Sector-D, Pocket--2, Vasant Kunj, New Delhi-110070	• Nil
Mr. J.Sridharan S/o Mr. K.J.Subramanian Whole-time Director (Finance)	56	Bungalow No. GG-3, Power Grid Residential Township, Sector-43, Gurgaon, Haryana-122002	• Powerlinks Transmission Limited • Byrnihat Transmission Company Limited • Parbati Koldam Transmission Company Limited
Mr. G. B. Pradhan S/o Mr. B.V. Pradhan Government Nominee Director Government Service	55	D-1/9, Satya Marg, Chanakya Puri, New Delhi-110021.	• PTC India Limited
Mr. Rajesh Verma S/o Mr. S.R. Verma Government Nominee Director Government Service	42	E-52, Nivedita Kunj, Sector-X, R.K. Puram, New Delhi 110 022, India.	• National Thermal Power Corporation Limited; • Satluj Jal Vidyut

Name, Father's Name, Designation and Occupation	Age	Address	Other Directorships
			Nigam Limited; • Rural Electrification Corporation of India Limited; • Tehri Hydro Development Corporation Limited; and • National Minorities Finance Development Corporation
Dr. P. K. Shetty S/o Mr. P. Shetty Independent Director Academic	45	# 386, Krishna, 4th Cross, I Block, R. T. Nagar, Bangalore – 560032	Nil
Mr. M. S. Kapur S/o (Late) Mr. B. S. Kapur Independent Director Consultancy	61	C- 15/A (First Floor), Jangpura Extention, New Delhi - 110014	• DKP Solutions Private Limited • Bharat Dynamics Limited • Broadcast Initiaves Limited • Corporate Ispat Alloys Limited • International Space and Infrastructure Deliveries Private Limited •
Prof. A. S. Narag S/o (Late) Mr. J. S. Narag Independent Director Academic	61	24, Cavalry Lines, University Campus, Delhi – 110 007	Nil
Mr. Anil K. Agarwal S/o Mr. S. S. Agarwal Independent Director Business	52	1, Aradhana Colony, Sector 13, R. K. Puram, New Delhi – 110 066	• Cosmos International Limited • AKA Construction Private Limited • Space Capital Services Limited • Space Industries Limited • Vams Marketing Private Limited
Mr. F. A. Vandrevala S/o Mr. A. Vandrevala Independent Director Business	56	192, NCPA Apartments, Nariman Point, Mumbai - 400021	• Hirco Development Private Limited • Tata Ryerson Limited • Patton International Limited

Details of Directors

Dr. R.P. Singh, aged 59 years, is the Chairman and Managing Director of our Company. He graduated with a Bachelor of Science and Masters of Science degree in Engineering from the Banaras Hindu University, Varanasi. He has also been conferred with the Doctor of Science (*Honoris Causa*) by the Banaras Hindu University, Varanasi. During his career spanning 37 years, he has been involved in diverse fields such as contract services, human resources management, engineering and operation and maintenance. He was appointed as a Director on our Board in September 1995 and became Chairman and Managing Director with effect from August 1997. Prior to joining our Company he has worked for Tata Steel and National Thermal Power Corporation Limited.

Mr. S. Majumdar, aged 58 years, is the Director (Projects) of our Company. He graduated with a Bachelor in Engineering degree from Calcutta University. He has 36 years of diverse work experience in the fields of corporate planning, distribution management services and contract services and materials. Prior to joining our Company in January 1991, he has worked in organisations such as National Thermal Power Corporation Limited, Damodar Valley Corporation, Calcutta Telephones, and Indo-German Prototype Development Training Centre. He was appointed as a Director on our Board in September 2005.

Mr. J. Sridharan, aged 56 years, is the Director (Finance) of our Company. He graduated with a Bachelor of Commerce degree from Madras University. He is a member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He has 32 years of work experience primarily in the field of financial management. Prior to joining our Company in 2000, he has worked in organisations such as Airport Authority of India and Bharat Heavy Electricals Limited. He was appointed as a Director on our Board in December 2005.

Mr. G. B. Pradhan, aged 55 years, is a government nominee Director of our Company. He graduated with a Master of Arts degree in History from Delhi University, master of Public Administration degree from the School of Public Administration, Carleton University, Ottawa and a master in military science degree from National Defence College, New Delhi and is an officer in the Indian Administrative Services since 1977. He is currently Joint Secretary (Transmission) in the MoP. He was appointed as a Director on our Board in November, 2003.

Mr. Rajesh Verma, aged 42 years, is a government nominee Director of our Company. He holds a bachelor's degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Delhi. He has been a part of the IAS since 1987 and is presently Joint Secretary and Financial Advisor to the MoP. He has also held the post of Director (Hydro) in the MoP where he was responsible for ensuring planning and investment approval of hydo-electric power projects in the Central Sector and formulation of policies for providing impetus to the development of hydro sector in the country. He has also served as the Joint Secretary, Department of Industries, Orissa, Executive Director of the Rajasthan Industrial and Investment Corporation and Managing Director of the Orissa Industrial Infrastructure Development Corporation. He was honoured by the Government of Rajasthan with the State Award for excellent performance in the field of public service. He is also holding the additional charge of Joint Secretary and Financial Advisor to the Ministry of Minority Affairs and Ministry of Labour and Employment. He was appointed as a Director on our Board in August 2007.

Dr. P. K. Shetty, aged 45 years, is an Independent Director of our Company. He graduated with a Master of Science degree from University of Agricultural Science, Dharwad, Karnataka and also holds a PhD from the Indian Agricultural Research Institute, New Delhi. He was the Head of the Environmental Studies Unit and also served as the Dean (Administration) at the National Institute of Advanced Studies, Bangalore. He is currently the Professor and Dean (School of Natural Sciences and Engineering) at National Institute of Advanced Studies, Bangalore, Director, Advanced Research Institute, Bangalore and is also the Honorary Chairman, MEDT Group of Institutions, Bangalore. He was appointed as a Director on our Board in July 2007.

Mr. M. S. Kapur, aged 61 years, is an Independent Director of our Company. He graduated with a Bachelor of Science degree and also holds a Master of Arts degree from Punjab University. He retired as the Chairman and Managing Director of Vijaya Bank, Bangalore after more than 37 years of service in Banking Industry. He has served in various public sector banks, including Syndicate Bank, Punjab Sind Bank and Union Bank of India among others. He was appointed as a Director on our Board in July, 2007.

Prof. A. S. Narag, aged 61 years, is an Independent Director of our Company. He graduated with a Master of Science degree and PhD from Delhi University and also holds an ITP Certificate from Graduate School of Business Administration, Harvard University. He has served as the Dean, Faculty of Management Studies, University of Delhi and has held various important positions in the University of Delhi. He is currently a professor at the Faculty of Management Studies, University of Delhi. He was appointed as a Director on our Board in July 2007.

Mr. Anil K. Agarwal, aged 52 years, is an Independent Director of our Company. He graduated with a Master of Commerce degree from University of Delhi and also holds a Post Graduate Diploma in Business Management from University of Delhi. He has been actively involved in Industry Associations, for development of International Trade and Investments and was the President of the Associated Chambers of Commerce and Industry of India (the 'ASSOCHAM'). He is currently the Chairman of the International Affairs of the ASSOCHAM and a Council Member of the Institute of Chartered Accountants of India. He was appointed as a Director on our Board in July 2007.

Mr. F. A. Vandrevala, aged 56 years, is an Independent Director of our Company. He graduated with a Bachelor of Technology degree in Electrical Engineering from Indian Institute of Technology, Kharagpur and also holds a Post Graduate Diploma in Business Management from Xavier's Labour Relations Institute, Jamshedpur. He has over 34 years of work experience primarily in the field of Steel, Power and Telecom. He is currently the Chairman and Managing Director of Hirco Developments Private Limited. He was appointed as a Director on our Board in July 2007.

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution of the shareholders of our Company dated December 20, 2005, our Board of Directors have been authorized to borrow funds up to Rs. 250,000 million. However, the total borrowings authorized for Fiscal 2008 under the terms of the MoP MoU for the year 2007-2008 is limited to Rs. 38,000 million only. Accordingly, we will be required to seek the approval of the MoP for any borrowings in excess of Rs. 38,000 million in Fiscal 2008.

Details of Appointment of our Directors

Name of Director	Ministry of Power Order No.	Term
Dr. R.P. Singh	No. 2/2/96 PSU/Adm.I (Vol.II) dated October 18, 2002	Dr. R.P. Singh attains superannuation on July 31, 2008. His present tenure stands extended up to November 22, 2007 vide MoP letter No. 11/14/2006-PG dated August 21, 2007.
Mr. S. Majumdar	No. 11/16/2004-PG dated October 6, 2005	Up to August 31, 2009
Mr. J. Sridharan	No. 11/13/2005-PG dated December 21, 2005	Up to December 21, 2010
Mr. G. B. Pradhan	No. 1/16/91-PG dated November 27, 2003	As determined by the Government of India from time to time
Dr. P. K.Shetty	No. 1/38/96-PG dated July 10, 2007	As determined by the Government of India from time to time
Mr. M. S. Kapur	No. 1/38/96-PG dated July 10, 2007	As determined by the Government of India from time to time

Name of Director	Ministry of Power Order No.	Term
Prof. A. S. Narag	No. 1/38/96-PG dated July 10, 2007	As determined by the Government of India from time to time
Mr. A. K. Agarwal	No. 1/38/96-PG dated July 10, 2007	As determined by the Government of India from time to time
Mr. F. A. Vandrevala	No. 1/38/96-PG dated July 10, 2007	As determined by the Government of India from time to time
Mr. Rajesh Verma	No. 1/16/91-PG dated August 2, 2007	As determined by the Government of India from time to time

Except for our whole-time Directors who are entitled to statutory benefits and post retirement medical benefits upon termination of their employment with us, no other Director is entitled to any benefit upon termination of his employment with us.

Remuneration of our whole-time Directors

The following table sets forth the details of the remuneration received by the whole-time Directors in Fiscal 2007. In addition to the amounts specified below, our whole-time Directors are also entitled to an official vehicle, gratuity and reimbursements for maintenance of a residential office and with respect to official entertainment.

Remuneration of our whole-time Directors in Fiscal 2007

Sl. No.	Name	Basic Salary	Dearness Allowance	Housing and Furnishing	Provident Fund	Perquisites and other benefits	Total
1.	Dr. R.P. Singh	378,000	249,087	Nil	84,401	285,397	996,885
2.	Mr. S. Majumdar	359,726	222,670	288,000	70,106	120,076	1,060,578
3.	Mr. J.Sridharan	372,071	235,498	Nil	72,907	133,867	814,343

The Directors who have been nominated by the Government of India are not entitled to receive any remuneration from our Company. However, the Government Nominees and the Independent Directors will be entitled to travel allowance/daily allowance and sitting fees for attending the board meetings of our Company which shall be in accordance with the instructions issued by Department of Public Enterprises, Government of India, from time to time.

Details of terms and conditions of employment of our Directors

Our whole-time Directors are appointed pursuant to letters from the MoP conveying the approval of the President of India for their appointment. The MoP also prescribes the terms and conditions of employment of our whole-time Directors.

(a) Dr. R.P. Singh

Dr. R.P. Singh was appointed as Chairman and Managing Director of our Company for a period of five years with effect from August 23, 1997. His tenure was extended for a further term of five years pursuant to Order No. 2/2/96 PSU/Adm.I (Vol.II) dated October 18, 2002 issued by the MoP. The MoP has through an Order No. 1/43/96-PG(1) dated June 30, 2005 specified the terms and conditions of his appointment. The terms and conditions governing the appointment of Dr. R. P. Singh are as under:

Term	Dr. R.P. Singh attains superannuation on July 31, 2008. His present tenure stands extended upto November 22, 2007 vide MoP letter No. 11/14/2006-PG dated August 21, 2007.

Basic salary	Rs. 27,750 per month in the existing scale of Rs. 27,750-750-31,500 from the date he assumes office.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme prescribed in the Office Memorandum of the Department of Public Enterprises dated June 25, 1999, presently being Rs. 23,463 per month.
Housing and furnishing	Entitled to suitable residential accommodation to be provided by our Company. In the event he is desirous of taking his own house on a self lease basis he is required to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 22,050. Our Company shall be entitled to recover 10% of the basic salary on account of rent recovery. In the event that the actual rent payable by our Company in respect of a leased accommodation is less than 10% of the basic salary, then the recovery of rent would be restricted to the actual rent payable by our Company.
Annual Increment	Eligible to draw an annual increment of Rs. 750 subject to a maximum basic salary of Rs. 31,500. On reaching this maximum amount, he is further entitled to an increment at the rate of the last drawn increment after the completion of every two years from the date of reaching such maximum remuneration, subject to a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity in accordance with the rules of our Company.
City Compensatory Allowance	Entitled to a city compensatory allowance as per existing rates subject to a maximum of Rs. 300 per month.
Other benefits and incentives	Entitled to a vehicle for private use subject to a ceiling of 1,000 km per month for non-duty journeys. He is also entitled to medical facilities, travelling allowance, leave travel concession, disability leave and certain other benefits in accordance with the rules of our Company.
Productivity Linked Incentive Scheme	Entitled to incentive payments under the Productivity Linked Incentive Scheme as per the Office Memorandum of the Department of Public Enterprises dated June 5, 1999.
Leave and vacation	Entitled to leave as per the rules of our Company.
Club Membership	Entitled to become a member of two clubs at the expense of our Company subject to the condition that such memberships shall be co-terminus with his tenure as our Chairman and Managing Director.
Other conditions	Up to a period of two years from the date of his retirement from our Company he shall not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

(b) Mr. S. Majumdar

Mr. S. Majumdar was appointed as Director pursuant to Order No. 11/16/2004-PG dated October 6, 2005 and the MoP has through an Order No. 11/16/2004-PG dated April 19, 2006 specified the terms and conditions of his appointment. The terms and conditions governing the employment of Mr. S. Majumdar are as under:

Term	From September 27, 2005 till he attains the age of superannuation or until further orders of the MoP. The appointment may be terminated by either side on providing three months notice or on payment of

	three months salary in lieu thereof.
Basic salary	Rs. 29,000 per month in the existing scale of Rs. 25,750-650-30,950 from the date he assumes office.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme prescribed in the Office Memorandum of the Department of Public Enterprises dated June 25, 1999, presently being Rs. 21,593 per month.
Housing and furnishing	Entitled to suitable residential accommodation to be provided by our Company. In the event he is desirous of taking his own house on a self lease basis he is required to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 21,665. Our Company shall be entitled to recover 10% of the basic salary on account of rent recovery. In the event that the actual rent payable by our Company in respect of a leased accommodation is less than 10% of the basic salary, then the recovery of rent would be restricted to the actual rent payable by our Company.
Annual Increment	Eligible to draw an annual increment of Rs. 650 subject to a maximum basic salary of Rs. 30,950. On reaching this maximum amount, he is further entitled to an increment at the rate of the last drawn increment after the completion of every two years from the date of reaching such maximum remuneration, subject to a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity in accordance with the rules of our Company.
City Compensatory Allowance	Entitled to a city compensatory allowance as per existing rates subject to a maximum of Rs. 300 per month.
Other benefits and incentives	Entitled to a vehicle for private use subject to a ceiling of 1,000 km per month for non-duty journeys. He is also entitled to medical facilities, travelling allowance, leave travel concession, disability leave and certain other benefits in accordance with the rules of our Company.
Productivity Linked Incentive Scheme	Entitled to incentive payments under the Productivity Linked Incentive Scheme as per the Office Memorandum of the Department of Public Enterprises dated June 25, 1999.
Leave and vacation	Entitled to leave as per the rules of our Company.
Club Membership	Entitled to become a member of two clubs at the expense of our Company subject to the condition that such memberships shall be co-terminus with his tenure as a Director.
Other Conditions	(i) Up to a period of two years from the date of his retirement from our Company he shall not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India. (ii) Perquisites and allowances are subject to a ceiling of 50% of the basic salary. Payments in addition to this amount should be entirely in the nature of performance linked incentives.

(c) Mr. J. Sridharan

Mr. J. Sridharan was appointed as Director pursuant to an Order No. 11/13/2005-PG dated December 21, 2005 and the MoP has through an Order No. 11/13/2005-PG dated March 31, 2006 specified the terms and conditions of his appointment. The terms and conditions governing the appointment of Mr. J. Sridharan are as under:

Term	From December 21, 2005 for a period of five years or till he attains the age of superannuation or until further orders of the MoP. The appointment may be terminated by either side on providing three months notice or on payment of three months salary in lieu thereof.
Basic salary	Rs. 30,300 per month in the existing scale of Rs. 25,750-650-30,950 from the date he assumes office.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme prescribed in the Office Memorandum of the Department of Public Enterprises dated June 25, 1999, presently being Rs. 22,005 per month.
Housing and furnishing	Entitled to suitable residential accommodation to be provided by our Company. In the event he is desirous of taking his own house on a self lease basis he is required to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 21,665. Our Company shall be entitled to recover 10% of the basic salary on account of rent recovery. In the event that the actual rent payable by our Company in respect of a leased accommodation is less than 10% of the basic salary, then the recovery of rent would be restricted to the actual rent payable by our Company.
Annual Increment	Eligible to draw an annual increment of Rs. 650 subject to a maximum basic salary of Rs. 30,950. On reaching this maximum amount, he is further entitled to an increment at the rate of the last drawn increment after the completion of every two years from the date of reaching such maximum remuneration, subject to a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity in accordance with the rules of our Company.
City Compensatory Allowance	Entitled to a city compensatory allowance as per existing rates subject to a maximum of Rs. 300 per month.
Other benefits and incentives	Entitled to a vehicle for private use subject to a ceiling of 1,000 km per month for non-duty journeys. He is also entitled to medical facilities, travelling allowance, leave travel concession, disability leave and certain other benefits in accordance with the rules of our Company.
Productivity Linked Incentive Scheme	Entitled to incentive payments under the Productivity Linked Incentive Scheme as per the Office Memorandum of the Department of Public Enterprises dated June 25, 1999.
Leave and vacation	Entitled to leave as per the rules of our Company.
Club Membership	Entitled to become a member of two clubs at the expense of our Company subject to the condition that such memberships shall be co-terminus with his tenure as a Director.
Other Conditions	(i) Up to a period of two years from the date of his retirement from our Company he shall not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India. (ii) Perquisites and allowances are subject to a ceiling of 50% of the basic salary. Payments in addition to this amount should be entirely in the nature of performance linked incentives.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges in connection with corporate governance will apply to the Company upon listing of the Equity Shares on such Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 of the Listing Agreement, specifically with respect of the composition of the Board.

Our Board has constituted the following committees:

I. Audit Committee

We have constituted an Audit Committee. The committee currently comprises the following Directors:

(i) Mr. F. A. Vandrevala, Chairman

(ii) Mr. Rajesh Verma, Member

(iii) Mr. Anil K. Agarwal, Member

II. Meeting of Audit Committee

The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

The Company Secretary shall be the Secretary to the Audit Committee.

III. Powers of Audit Committee

The Audit Committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To consider other matters as referred by the Board.

IV. Role of Audit Committee

The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Fixation of audit fees to be paid to statutory auditors appointed by Comptroller & Auditor General under the Companies Act, 1956 and approval for payment with respect to any other services rendered by the statutory auditors.

3. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    b. Changes, if any, in accounting policies and practices and reasons for the same.
    c. Major accounting entries involving estimates based on the exercise of judgment by management.

d. Significant adjustments made in the financial statements arising out of audit findings.
e. Compliance with listing and other legal requirements relating to financial statements.
f. Disclosure of any related party transactions.
g. Qualifications in the draft audit report.

4. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

5. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.

6. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

7. Discussion with internal auditors any significant findings and follow up there on.

8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

9. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

11. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

V. Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;

2. Statement of significant related party transactions submitted by management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief internal auditor.

II. Shareholders / Investors Grievance Committee

We have also constituted a Shareholders/ Investors Grievance Committee. The committee currently comprises the following Directors:

(i) Mr. M. S. Kapur, Chairman
(ii) Mr. J. Sridharan, Member
(iii) Mr. G.B Pradhan, Member
(iv) Mr. Anil K. Agarwal, Member

General Functions:

The Shareholders/ Investors Grievance Committee has been constituted for redressal of shareholders'/ investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.

Shareholding of Directors in our Company

Our Articles do not require our Directors to hold any Equity Shares. The following table details the shareholding of our Directors in our Company:

Name of Directors	Number of Equity Shares
Dr. R. P. Singh (as a nominee of the President of India)	100
Mr. G.B. Pradhan (as a nominee of the President of India)	100
Mr. S. Majumdar (as a nominee of the President of India)	100
Mr. J. Sridharan (as a nominee of the President of India)	100
Mr. Rajesh Verma (as a nominee of the President of India)	100

Interest of our Directors

All of our Directors, except the Government nominated Directors and Independent Directors, may be deemed to be interested to the extent of remuneration paid to them for services rendered as a Director of our Company and reimbursement of expenses payable to them.

Certain Directors hold Equity Shares as nominees of the President of India and hence, they may be deemed to be interested to the extent of their shareholding in our Company. Further, our Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and Allotted to them, out of the present Issue in terms of this Red Herring Prospectus. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

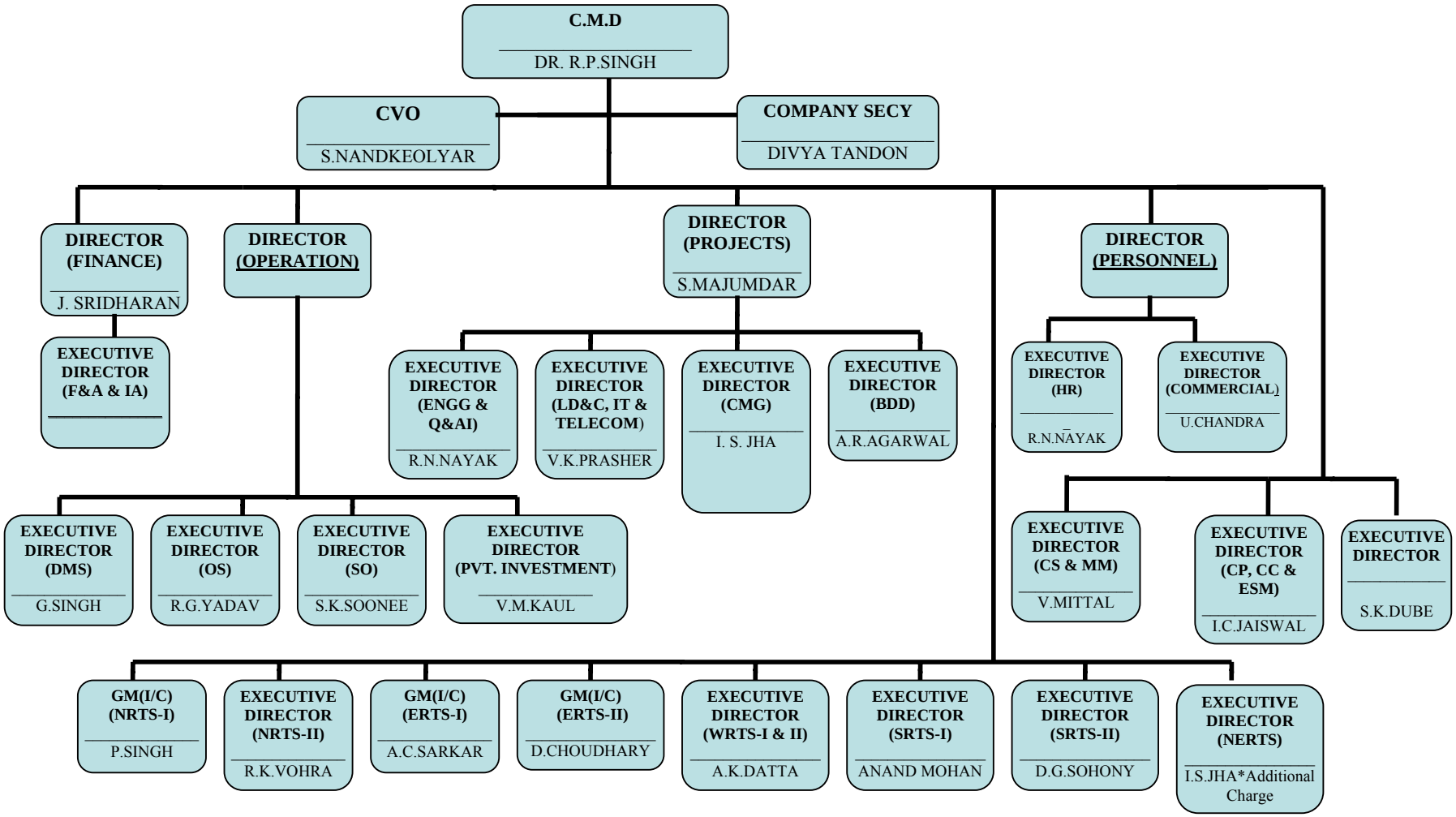
Our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus. Our Directors have no interest in our Company other than as disclosed in this Red Herring Prospectus. For details of the related party transactions, see section titled "Financial Statements-Statement of Related Party Transactions" beginning on page 195 of this Red Herring Prospectus.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors in the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. S.C. Misra	September 1, 2001	February 28, 2005	Ceased to be a Director on attaining the age of superannuation.
Dr. V.K. Garg	September 17, 1997	May 11, 2005	Ceased to be a Director as per the directive of the MoP dated May 10, 2005 appointing him as chairman and managing director of Power Finance Corporation Limited.
Mr. S. Majumdar	September 27, 2005	Continuing	Appointed as a Director.
Mr. J. Sridharan	December 21, 2005	Continuing	Appointed as a Director.
Mr. U.C. Misra	August 1, 2002	January 25, 2007	Ceased to be a Director as per the directive of the MoP dated January 22, 2007 appointing him as chairman of Bhakra Beas Management Board.
Mr. J. Haque	September 16, 2004	January 31, 2007	Ceased to be a Director on attaining the age of superannuation.
Mr. M. Sahoo	July 22, 2002	June 29, 2007	Ceased to be a Director as per the directives of the MoP dated July 3, 2007.
Dr. P. K. Shetty	July 10, 2007	Continuing	Appointed as an Independent Director.
Mr. M. S. Kapur	July 10, 2007	Continuing	Appointed as an Independent Director.
Prof. A. S. Narag	July 10, 2007	Continuing	Appointed as an Independent Director.
Mr. A. K. Agarwal	July 10, 2007	Continuing	Appointed as an Independent Director.
Mr. F. A. Vandrevala	July 10, 2007	Continuing	Appointed as an Independent Director.
Mr. Rajesh Verma	August 2, 2007	Continuing	Appointed as a Government Nominee Director

MANAGEMENT ORGANISATION STRUCTURE



Key Managerial Employees

Mr. R.G. Yadav, aged 57 years, is the Executive Director (Operation Services) in our Company. He graduated with a Bachelor of Engineering degree from Allahabad University. He also holds a Masters of Business Administration degree from Delhi University. He has 32 years of work experience primarily in the fields of system operations and project management. Prior to joining our Company in August 1991, he has worked for National Thermal Power Corporation of India Limited and Engineers India Limited. He received a total remuneration of Rs. Rs. 917,446 in Fiscal 2007.

Mr. A.R. Agarwal, aged 59 years, is the Executive Director (Business Development Department) of our Company. He graduated with a Bachelor of Engineering degree from Roorkee University. He joined our Company in November, 1991. In a career spanning 35 years, he has worked for organisations such as National Hydroelectric Power Corporation Limited and Uttar Pradesh SEB and he has also been the chairman of Uttaranchal Power Corporation Limited. He received a total remuneration of Rs. 1,110,212 in Fiscal 2007.

Mr. R.B. Mishra, aged 58 years, is presently on deputation to our joint venture company Jaypee Powergid Limited where he is a director on the board of the company. He graduated with a Bachelor of Engineering degree from Government Engineering College, Rewa (M.P). He has 35 years of work experience in fields such as operation and maintenance and operation services. Prior to joining our Company in October 1993 he has worked for National Thermal Power Corporation of India Limited and Bharat Heavy Electricals Limited. He received a total remuneration of Rs. 1,201,691 in Fiscal 2007.

Mr. V.K. Prasher, aged 58 years, is the Executive Director (Load Despatch and Communications, Information Technology and Telecommunications) of our Company. He graduated with a Bachelor of Science degree from Punjab University. He has 34 years of work experience in fields such as engineering, load despatch and control, telecommunications and information technology. Prior to joining our Company in October 1993, he has worked in National Thermal Power Corporation of India Limited, CEA and Central Water and Power Commission. He received a total remuneration of Rs. 997,360 in Fiscal 2007.

Mr. Umesh Chandra, aged 57 years is the Executive Director (Commercial) of our Company. He graduated with a Bachelor of Engineering degree from Roorkee University. He has 34 years of work experience and has been an employee of our Company since 1991 during which he has been associated with various departments of our Company including operation services, commercial and engineering departments. Prior to joining our Company he worked for National Thermal Power Corporation of India Limited and Uttar Pradesh SEB. He received a total remuneration of Rs. 1,166,127 in Fiscal 2007.

Mr. I.C. Jaiswal, aged 57 years, is the Executive Director (Corporate Planning, Corporate Communications and Environment and Social Management) of our Company. He graduated with a Bachelor of Engineering degree from Madan Mohan Malviya Engineering College, Gorakhpur. He has 34 years of work experience in the fields of contract services and human resource development. Prior to joining our Company in August 1991, he has worked for National Thermal Power Corporation of India Limited and Hindustan Steel Works Construction Limited. He received a total remuneration of Rs. 1,143,725 in Fiscal 2007.

Mr. R.N. Nayak, aged 52 years, is the Executive Director (Human Resources, Engineering and Quality Assurance & Inspection). He graduated with a Bachelor of Science degree in Engineering from Regional Engineering College, Rourkela. He also holds a Master of Technology degree from the Indian Institute of Technology, Kharagpur. He has 27 years of work experience and has been an employee of our Company since January 1991 during which he has been associated with various departments of our Company including contract services, telecommunications, load despatch and control and engineering departments. Prior to joining our Company he has worked for National

Thermal Power Corporation of India Limited and Steel Authority of India Limited. He received a total remuneration of Rs. 960,657 in Fiscal 2007.

Mr. Ganesh Singh, aged 56 years, is the Executive Director (Distribution Management Services) of our Company. He holds a Bachelor of Engineering degree from Gorakhpur University and a Master of Engineering degree from Moti Lal Nehru Regional Engineering College, Allahabad. He has 29 years of work experience. Prior to joining our Company in August 1991 he worked for National Thermal Power Corporation of India Limited and the Madhya Pradesh SEB. He received a total remuneration of Rs. 950,744 in Fiscal 2007.

Mr. V.M. Kaul, aged 55 years, is the Executive Director (Private Investment) of our Company. He graduated with a Bachelor of Technology degree from the Indian Institute of Technology, Delhi and as Masters in Business Administration degree from Indira Gandhi National Open University. He has 33 years of work experience and has worked for National Thermal Power Corporation of India Limited and Engineers India Limited prior to joining our company in March 2002. He received a total remuneration of Rs. 1,178,171 in Fiscal 2007.

Mr. S.K. Soonee, aged 51 years, is the Executive Director (System Operations) of our Company. He graduated with a Bachelor of Technology degree from the Indian Institute of Technology, Kharagpur. He has 30 years of work experience. Prior to joining our Company in January 1995 has worked in the CEA. He received a total remuneration of Rs. 1,033,021 in Fiscal 2007.

Mr. V. Mittal, aged 58 years, is the Executive Director (Contract Services) of our Company. He graduated with a Bachelor of Engineering degree from the Birla Institute of Technology and Sciences, Pilani. He has 35 years of work experience. Prior to joining our Company in August 1991 he has worked for National Thermal Power Corporation of India Limited, Rajasthan SEB and CEA. He received a total remuneration of Rs. Rs. 1,072,299 in Fiscal 2007 respectively.

Mr. I.S. Jha, aged 48 years, is the Executive Director (Corporate Monitoring Group) of our Company and currently holds addtional charge of Executive Director (North Eastern Region). He graduated with a Bachelor of Sciences degree in engineering from Regional Institute of Technology, Ranchi University. He has 26 years of work experience. Prior to joining our Company in August 1991 he has worked for National Thermal Power Corporation of India Limited. He received a total remuneration of Rs. 1,848,704 in Fiscal 2007.

Mr. A.K. Datta, aged 57 years, is the Executive Director (Western Region – I & II) of our Company. He graduated with a Bachelor of Engineering degree from Calcutta University. He has 36 years of work experience. Prior to joining our Company in August 1991 he has worked for organisations such as National Thermal Power Corporation of India Limited, West Bengal SEB and Public Works Department. He received a total remuneration of Rs. 871,814 in Fiscal 2007.

Mr. R.K. Vohra, aged 57 years, is the Executive Director (Northern Region-II) of our Company. He graduated with a Bachelor of Engineering degree from Ranchi University. He has 33 years of work experience. He joined our Company in August 1991 prior to which he has worked for organisations such as National Thermal Power Corporation of India Limited and Bokaro Steel Plant. He received a total remuneration of Rs. 1,038,178 in Fiscal 2007.

Mr. D.G. Sohony, aged 58 years, is the Executive Director (Southern Region–II) of our Company. He graduated with a Bachelor of Engineering degree from Jabalpur University. He has 36 years of work experience. He joined our Company in August 1991 prior to which he has worked for organisations such as National Thermal Power Corporation of India Limited, Madhya Pradesh SEB and Maharashtra SEB. He received a total remuneration of Rs. 1,195,483 in Fiscal 2007.

Mr. Anand Mohan, aged 58 years, is the Executive Director (Southern Region-I) of our Company. He graduated with a Bachelor of Sciences degree in Engineering from Delhi University and also holds

a Master of Technology degree from the Indian Institute of Technology, Delhi. He has 33 years of work experience. Prior to joining our Company in October 1997 he has worked for National Thermal Power Corporation of India Limited. He received a total remuneration of Rs. 933,306 in Fiscal 2007.

Mr. S. Sachdev, aged 56 years, is presently on deputation to our joint venture company Powerlinks Transmission Limited where he is a director on the board of the company. He graduated with a Bachelor of Science degree from Ranchi University and also holds a Masters of Business Administration degree from Delhi University. He has 34 years of work experience. He joined our Company in January 1991, prior to which he has worked for organisations such as National Thermal Power Corporation of India Limited, Bharat Heavy Electricals Limited and CEA.

Mr. S.K. Dube, aged 59 years, is our Executive Director. He graduated with a Bachelor of Engineering degree from Jadavpur University. He has 37 years of work experience. Prior to joining our Company in August 1991 he has worked for organisations such as National Thermal Power Corporation of India Limited, Metallurgical and Engineering Consultant India Limited, Bokaro Steel Limited and Techno Electric and Engineering Company Limited. He has also served as director on the board of Power Trading Corporation of India Limited where he was sent on deputation by our Company. He rejoined our Company on August 6, 2007.

All of our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

Shareholding of the key managerial employees

None of our key managerial employees hold any shares or options.

Bonus or profit sharing plan for our key managerial employees

There is no bonus or profit sharing plan for our key managerial employees.

Changes in our key managerial employees during the last three years

The changes in our key managerial employees during the last three years are as follows:

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
Mr. K.S. Ragunathan	May 3, 2004	June 30, 2004	Superannuation
Mr. S.K. Chaturvedi	December 3, 2001	October 7, 2004	Resignation
Dr. K.K. Das	October 12, 2001	July 31, 2005	Superannuation
Mr. K. Satyam	November 1, 2000	January 31, 2006	Superannuation
Mr. S.K. Sinha	September 17, 2004	January 31, 2006	Superannuation
Mr. N.R. Chanda	November 7, 2002	January 31, 2007	Superannuation
Mr. S.B.C. Misra	October 9, 2000	January 31, 2007	Superannuation
Dr. N.S. Saxena	October 21, 2004	January 31, 2007	Resignation
Mr. A. Manglik	December 3, 2002	April 30, 2007	Superannuation

Payment or benefit to officers of our Company

Except certain post retirement medical benefits and statutory benefits and upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

OUR PROMOTERS, SUBSIDIARIES AND GROUP COMPANIES

Our Promoter is the President of India. Our Promoter currently holds 100% of the paid up share capital and will hold 86.36 % of the post Issue paid up capital of our Company.

Other Confirmations:

Our Promoter has not been declared as a willful defaulter by the RBI or any government authority and there are no violations of the securities laws committed by our Promoter in the past or in the present.

Subsidiaries:

We have two Subsidiaries namely Parabati Koldam Transmission Company Limited and Byrnihat Transmission Company Limited

For further details on our Subsidiaries, see the section titled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

Group Companies:

We do not have any group companies.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see the section titled "Financial Statements-Statement of Related Party Transactions" beginning on page 195 of this Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five fiscal years is presented below.

Particulars	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
No. of Equity Shares of Rs.10 each (in million)	3,787,407,300	3,584,628,600	3,165,248,600	3,035,248,600	3,035,248,600
Rate of Dividend (%)					
Interim	3.04	2.43	2.78	-	1.65
Final	6.70	6.01	3.03	4.12	1.65
Amount of Dividend on Equity Shares (Rs. in million)					
Interim	1,150.00	872.30	880.00	-	500.00
Final	2,538.20	2,154.50	960	1,250.00	500.00
Total Dividend Tax paid (Rs. in million)	592.69	424.47	252.85	160.16	64.06

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Pursuant to the terms of certain of our loan agreements, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions therefore or if we are in default of the terms and conditions of such loan agreements. For further details please refer to the section entitled "Financial Indebtedness" at page 81 of this Red Herring Prospectus.

FINANCIAL STATEMENTS

AUDITORS REPORT

To
The Board of Directors
POWER GRID CORPORATION OF INDIA LIMITED
New Delhi.

1) We have examined the attached financial information of Power Grid Corporation of India Limited, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated August 10, 2007 in connection with the proposed issue of Equity Shares of the Company.

2) These information have been extracted by the Management from the financial statements for the quarter ended June 30, 2007 audited by us & financial years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003, audited by other chartered accountant firms. The Audit for the financial year ended March 31, 2003 was conducted by previous auditors M/s. Hingorani M.& Co., M/s Venugopal & Chenoy and M/s D.P. Sen & Co., Chartered Accountants, audit for the financial year ended March 31, 2004 was conducted by M/s O.P. Bagla & Co., M/s B.M.Chatrath & Co. & M/s Veerabhadra Rao & Co., Chartered Accountants and audit for the financial years ended March 31, 2005, March 31, 2006 and March 31, 2007 was conducted by M/s O.P. Bagla & Co., M/s B.M.Chatrath & Co. and M/s. Nataraja Iyer & Co. and accordingly reliance has been placed on the financial information examined by them for the said years. The financial reports included for these years i.e. March 31, 2007 to March 31, 2003 are based solely on the report submitted by them. Further M/s O.P. Bagla & Co., M/s B.M.Chatrath & Co. and M/s. Nataraja Iyer & Co. have also confirmed vide their report dated 22.06.2007 that the restated financial information has been made after incorporating:

   a) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
   b) Adjustments for the material amounts in the respective financial years to which they relate.
   c) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

3) We have also audited the financial information of the Company for the period ending June 30, 2007 and examined the financial information of the company for the years ending March 31, 2003 to March 31, 2007 prepared and approved by the Board of Directors for the purpose of disclosure in the offer document of the Company.

   We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4) In accordance with the requirements of Paragraph B of Part-II of Schedule-II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we report that:

a) The Restated Summary Statement of Assets and Liabilities of the Company as at June 30, 2007, March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 as set out in Annexure-I to this report are after making adjustments and regrouping as in our opinion were appropriate.

b) The Restated Summary Statement of Profit & Loss Account of the Company for the quarter ended June 30, 2007 and years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 as set out in Annexure-II to this report are after making adjustments and regrouping as in our opinion were appropriate.

c) The Restated Cash Flow Statements of the Company for the quarter ended June 30, 2007 and years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 as set out in Annexure-III to this report are after making adjustments and regrouping as in our opinion were appropriate.

'Notes on Adjustments made', 'Adjustments not made' and 'Summary of Significant Accounting Policies, Notes on Accounts' as at June 30, 2007 are stated in Annexures IV (a),(b) and V (a),(b) respectively.

Based on the above, we are of the opinion that the restated financial information have been made in accordance with the provisions of paragraph 6.10.2.3 of the SEBI Guidelines, and after incorporating:

(i) All the adjustments suggested in paragraph 6.10.2.7 of the SEBI Guidelines.
(ii) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reporting periods.
(iii) Adjustments for the material amounts in the respective financial years to which they relate.

5) (i) There are no qualifications in the auditors' reports which remain to be adjusted in the Restated Summary Statements, except as mentioned in IV B and IV C, read with Significant Accounting Policies and Significant Notes to Accounts.

(ii) There are no extra-ordinary items that need to be disclosed separately in the accounts.

6) We have also examined the following other financial information setout in Annexures prepared by the management and approved by the Board of Directors for the quarter ended June 30, 2007 & years ended March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003:-

i) Statement of Dividend paid/proposed - Annexure-VI.
ii) Statement of Accounting Ratios included - Annexure-VII.
iii) Statement of Capitalization as at June 30, 2007 - Annexure-VIII.
iv) Statement of Secured and Unsecured Loans - Annexure-IX.
v) Statement of Ren
vi) venue from Operations, Statement of Other income and Statement of O&M Expenditure - Annexure-X (a), (b) and (c).
vii) Statement of Tax Shelter - Annexure-XI.
viii) Statement of Loan and Advances - Annexure-XII.
ix) Statement of Sundry Debtors - Annexure-XIII.

x) Statement of Investments - Annexure-XIV.
xi) Statement of Share Capital - Annexure-XV.
xii) Statement of Related Party Transactions - Annexure-XVI.
xiii) Statement of Segment Reporting - Annexure- XVII.
xiv) Statement of Contingent Liabilities - Annexure-XVIII.

In our opinion the financial information contained in Annexure-VI to XVIII of this report read along with Statement of Changes/ Restated Profit and Loss (Annexure IV), Explanatory Notes for the Adjustments made therein (Annexure IV(a)), Explanatory Notes for the Adjustments not made therein (Annexure IV (b)), Auditors Qualification (Annexure IV (c)), Significant Accounting Policies (Annexure V (a)) and Summary of Notes on Accounts (Annexure V (b)) have been prepared after making adjustments and regrouping as considered appropriate in accordance with para B of Part II of Schedule II of the Act and the SEBI Guidelines.

7) This report is intended solely for the use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company and should not be used, referred to or circulated for any other purpose without our prior written consent.

For A.R. & Co.	**For S R I Associates**	**For Umamaheswara Rao & Co**
Chartered Accountants	**Chartered Accountants**	**Chartered Accountants**
(Prabuddha Gupta)	**(I. Pasha)**	**(L.Shyama Prasad)**
Partner	**Partner**	**Partner**
M.No. 400189	**M.No. 013280**	**M.No. 28224**

Place: Gurgaon
Date: August 20, 2007

Annexure I

SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in million)

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A.	**Fixed Assets**						
	Gross Block	3,03,911.71	2,90,146.24	2,48,882.54	2,18,841.32	1,98,742.66	1,88,595.31
	Less:Depreciation	74,203.63	71,985.56	63,720.04	56,284.80	49,894.74	43,409.46
	Net Block	**2,29,708.08**	**2,18,160.68**	**1,85,162.50**	**1,62,556.52**	**1,48,847.92**	**1,45,185.85**
	Capital Work-in-Progress	59,445.26	60,838.94	36,504.25	35,758.04	22,499.44	17,117.88
	Construction Stores and Advances	34,260.37	33,715.41	27,651.76	14,631.74	16,401.19	8,957.92
	Net Block	**3,23,413.71**	**3,12,715.03**	**2,49,318.51**	**2,12,946.30**	**1,87,748.55**	**1,71,261.65**
B.	**Investments**	**19,088.16**	**19,670.05**	**21,394.11**	**20,292.10**	**19,979.24**	**18,837.11**
C.	**Current Assets ,Loans & Advances**						
	Inventories	1,891.27	1,841.28	1,802.39	1,842.65	1,968.66	1,606.91
	Sundry Debtors	5,250.97	4,904.00	4,403.45	5,713.38	4,777.29	2,581.97
	Cash and Bank balances	12,479.50	11,968.19	5,890.47	6,039.72	7,754.47	1,183.60
	Other Current Assets	1,043.97	1,470.28	1,554.38	1,785.18	3,328.63	3,049.52
	Loans and Advances	15,370.70	14,912.61	15,940.58	13,254.79	13,308.61	12,847.71
	Total current assets	**36,036.41**	**35,096.36**	**29,591.27**	**28,635.72**	**31,137.66**	**21,269.71**
	Total Assets	**3,78,538.28**	**3,67,481.44**	**3,00,303.89**	**2,61,874.12**	**2,38,865.45**	**2,11,368.47**
	Liabilities and Provisions						
D	**Loan Funds**						
	Secured Funds	1,82,569.74	1,72,477.20	1,29,461.37	1,10,017.53	1,04,533.76	80,126.79
	Unsecured Funds	19,746.18	20,777.76	20,799.88	23,862.91	18,130.02	34,306.04
E	**Current Liabilities & Provisions**						
	Current Liabilities	35,153.25	40,020.85	31,761.72	24,652.56	20,710.14	14,753.91
	Provisions	9,303.10	8,333.72	5,474.79	3,428.29	3,650.70	2,246.23
F.	**Deferred Tax Liability (Net)**	**4,485.04**	**4,193.34**	**3,125.46**	**2,427.05**	**1,973.78**	**1,866.81**
G.	**Advance Against Depreciation**	**13,136.76**	**12,011.73**	**8,222.33**	**6,103.27**	**3,953.41**	**2,091.17**
H.	**Grant In Aid**	**2,600.29**	**2,644.46**	**2,729.55**	**2,902.17**	**2,975.06**	**3,352.00**
	Development Surcharge	**0.00**	**0.00**	**0.00**	**0.00**	**1,952.32**	**0.00**
	Total Liabilities	**2,66,994.36**	**2,60,459.06**	**2,01,575.10**	**1,73,393.78**	**1,57,879.19**	**1,38,742.95**

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
	Net Worth	**1,11,543.92**	**1,07,022.38**	**98,728.79**	**88,480.34**	**80,986.26**	**72,625.52**
	Represented by:						
I.	Share Capital	38,262.19	38,262.19	36,234.41	32,040.61	30,740.61	30,740.61
	Reserves and Surplus	73,296.27	68,763.41	62,494.38	56,440.64	50,246.56	41,434.92
	LESS:-						
J	**Miscellaneous Expenditure** (to the extent not written off or adjusted)	**14.54**	**3.22**	**0.00**	**0.91**	**0.91**	**-449.99**
	Net Worth	**1,11,543.92**	**1,07,022.38**	**98,728.79**	**88,480.34**	**80,986.26**	**72,625.52**
	Contingent Liabilities	18,434.96	19,503.84	28,118.10	24,450.10	22,998.40	24,775.10

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

Annexure II

SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
INCOME						
Revenue from Operations	9,754.67	35,898.50	31,453.40	25,130.71	22,630.33	20,135.44
Provision written back	28.47	1,334.33	679.35	12.42	1,728.91	0.00
Sale of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.50
Other Income	726.19	3,590.26	3,410.39	3,169.71	3,698.26	3,927.42
TOTAL	**10,509.33**	**40,823.09**	**35,543.14**	**28,312.84**	**28,057.50**	**25,327.36**
EXPENDITURE						
Employees' Remuneration & Benefits	1,064.98	3,388.76	2,568.10	2,271.82	2,352.92	1,864.08
Transmission, Administration and Other Expenses	620.98	2,917.73	2,223.54	1,973.19	1,849.50	1,505.41
Purchase of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.25
Depreciation	2,254.13	8,275.81	7,443.25	6,422.58	6,064.20	4,625.92
Provisions	0.00	27.40	1,327.66	655.84	179.81	1,396.01
Interest and Finance Charges	1,127.69	11,404.22	9,474.55	8,086.84	9,909.60	7,004.04
Deferred Revenue Expenditure written Off	13.54	81.95	88.65	93.11	138.45	11.15
TOTAL	**5,081.32**	**26,095.87**	**23,125.75**	**19,503.38**	**20,494.48**	**17,670.86**
Profit for the year before tax, Prior period Adjustments	**5,428.01**	**14,727.22**	**12,417.39**	**8,809.46**	**7,563.02**	**7,656.50**
Less: Prior Period Expenditure/(Income) (Net)	3.05	-92.81	727.36	-274.29	420.07	138.06
Profit Before Tax	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
Less: Provision for Taxation- - Current Year	592.19	1,340.64	849.43	625.33	262.99	713.99
- Earlier Years	0.00	0.26	-17.85	22.77	-96.57	-9.80
Provisions for Fringe Benefit Tax- - Current Year	19.26	86.85	77.46	0.00	0.00	0.00
- Earlier Years	0.00	0.35	0.00	0.00	0.00	0.00
Profit after Current Tax	**4,813.51**	**13,391.93**	**10,780.99**	**8,435.65**	**6,976.53**	**6,814.25**
Less: Provision for Deferred Tax - Current Year	291.70	1,067.88	691.64	447.73	0.00	388.30
- Earlier Years	0.00	30.34	0.00	132.64	-505.51	0.00
Profit after Tax as per audited statement of accounts (A)	**4,521.81**	**12,293.71**	**10,089.35**	**7,855.28**	**7,482.04**	**6,425.95**
Adjustment on account of						
Changes in accounting policies	13.54	81.94	88.65	93.11	290.24	142.76
Impact of material adjustment	0.75	-1,434.55	-1,478.49	626.01	1,657.16	-411.15
Prior period items	3.05	-95.47	839.34	-426.47	1,516.16	-263.89
MAT & Deferred Tax Adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
Total Adjustments (B)	**17.34**	**-1,417.13**	**-575.74**	**442.53**	**2,749.54**	**-155.32**
Adjusted Profit (A+B)	**4,539.15**	**10,876.58**	**9,513.61**	**8,297.81**	**10,231.58**	**6,270.63**
Add: Balance of Profit brought	162.30	546.27	318.99	383.06	695.38	955.69

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
forward						
Add: Bond Redemption Reserve Written Back	168.70	1,219.30	1,050.60	888.70	584.60	50.00
Total Amount Available for Appropriation	**4,870.15**	**12,642.15**	**10,883.20**	**9569.57**	**11,511.56**	**7,276.32**
Appropriation						
Interim Dividend Paid	0.00	1,150.00	872.30	880.00	0.00	500.00
Dividend Tax Paid	0.00	161.33	122.30	118.21	0.00	0.00
Proposed Final Dividend	0.00	2,538.20	2,154.50	960.00	1,250.00	500.00
Provision for Dividend Tax	0.00	431.36	302.17	134.64	160.16	64.06
Transfer to Self Insurance Reserve	64.66	245.99	201.70	172.30	151.79	150.81
Transfer to Bonds Redemption Reserve	868.80	3,370.10	2,259.70	1,869.70	1,932.30	1,397.40
Transfer to General Reserve (*)	3,767.34	4,582.87	4,424.26	5,115.73	7,634.25	3,968.67
Balance of Profit carried over to Balance Sheet	**169.35**	**162.30**	**546.27**	**318.99**	**383.06**	**695.38**
	4,870.15	**12,642.15**	**10,883.20**	**9,569.57**	**11,511.56**	**7,276.32**

(*) The impact of adjustments on profit for the year, transfer to and from Bond Redemption Reserve and transfer to Self Insurance Reserve have been adjusted in General Reserve.

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

Annexure - III

CASH FLOW STATEMENT FROM THE RESTATED FINANCIAL STATEMENTS

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A. CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before tax – as reported	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
Add : Total adjustments for restatement	17.34	-1,417.13	-575.74	442.53	2,749.54	-155.32
Less : Tax adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
Net profit before tax – as restated	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**
Adjustment for :						
Depreciation (including prior period)	2256.50	8,227.15	7,515.92	6,421.31	6,070.27	4,699.88
Transfer from Grants in Aid	-44.17	-215.72	-172.62	-175.10	-163.14	-115.64
Adjustment against General Reserve	0.00	-326.66	940.00	0.00	28.84	-150.81
Amortised Expenditure(DRE written off)	0.00	-0.02	0.00	0.00	0.00	170.86
Provisions	-28.52	3.03	-662.50	643.68	-1,549.10	1,395.79
Self Insurance	-6.19	0.00	-8.61	-10.86	141.98	149.12
Interest paid on loans	1127.69	11,404.23	9,474.56	8,086.84	9,909.59	7,004.04
Interest earned on bonds	-384.49	-1,732.37	-2,204.80	-1,786.19	-2,650.67	-841.55
Dividend received	0.00	-12.00	-9.60	-9.60	0.00	-15.82
Operating profit before Working Capital Changes	**8363.12**	**30,719.59**	**26,011.88**	**22,546.48**	**22,394.28**	**19,282.03**
Adjustment for :						
Trade and other Receivables	806.23	3,296.04	3,607.27	627.57	659.58	520.45
Inventories	-49.99	-38.92	40.34	125.36	-361.66	99.92
Trade payables and other liabilities	-4509.72	9,177.80	6,866.14	3,410.29	6,246.52	-2,472.01
Other current assets	426.33	84.09	230.80	1,408.10	645.56	-2,067.80
Loans and Advances	-406.55	1468.50	-45.71	394.40	-929.48	1177.76
Deferred Revenue Expenditure	-11.30	-3.22	0.91	0.00	-26.19	-31.45
	-3745.00	**13,984.29**	**10,699.75**	**5,965.72**	**6,234.33**	**-2,773.13**
Interest Paid	0.00	0.00	0.00	0.00	0.00	-1.40
Direct taxes paid (including FBT)	-300.00	-1,245.36	-841.58	-560.00	-270.00	-679.00
Net Cash from operating activities - A	**4,318.12**	**43,458.52**	**35,870.05**	**27,952.20**	**28,358.61**	**15,828.50**
B. CASH FLOW FROM INVESTING						

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
ACTIVITIES						
Fixed assets	844.52	-1,099.85	-495.75	-1,270.16	1,398.66	-1,660.14
Capital work in progress	-13254.72	-64,459.19	-30,377.27	-32,120.01	-16,937.15	-30,610.79
Advance for Capital expenditure	-544.97	-6,049.39	-13,019.49	1,723.62	-7,442.47	13,433.11
Investments in Bonds and Others	581.89	1,960.02	0.50	0.00	-499.50	-0.50
Investments in Joint Ventures	0.00	-235.96	-1,102.51	-312.86	-642.63	0.00
Lease Receivables	248.80	779.35	-2,249.95	210.12	34.10	-6,994.80
Interest earned on bonds	384.49	1,732.37	2,204.80	1,786.19	2,650.67	841.55
Dividend received	0.00	12.00	9.60	9.60	0.00	15.82
Net cash used in investing activities - B	**-11,739.99**	**-67,360.65**	**-45,030.07**	**-29,973.50**	**-21,438.32**	**-24,975.75**
C. CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issue of Share Capital	0.00	2,027.78	4,193.80	1,300.00	0.00	62.50
Loans raised during the year	11,244.89	59,385.30	36,089.65	19,084.50	32,741.30	26,426.10
Loans repaid during the year	-2,184.02	-16,391.60	-19,708.85	-7,867.90	-24,510.28	-11,228.43
Development Surcharge received	0.00	0.00	0.00	-1,952.32	1,952.30	0.00
Proceeds from Grants in Aid	0.00	130.60	0.00	52.17	501.85	1,118.45
Adjustment of Grant	0.00	0.00	0.00	50.06	-715.65	0.00
Interest Paid	-1,127.69	-11,404.23	-9,474.55	-8,086.84	-9,909.59	-7,002.64
Dividend paid	0.00	-3,304.50	-1,832.30	-2,130.00	-500.00	-1,006.64
Dividend Tax paid	0.00	-463.50	-256.98	-278.36	-64.06	0.00
Net Cash from Financing Activities - C	**7,933.18**	**29,979.85**	**9,010.77**	**171.31**	**-504.13**	**8,369.34**
D. Net change in Cash and Cash equivalents(A+B+C)	**511.31**	**6077.72**	**-149.25**	**-1,849.99**	**6,416.16**	**-777.91**
E. Cash and Cash equivalents(Opening balance)	**11,968.19**	**5,890.47**	**6,039.72**	**7,889.71**	**1,473.55**	**2,251.46**
F. Cash and Cash equivalents(Closing balance)	**12,479.50**	**11,968.19**	**5,890.47**	**6,039.72**	**(*)7,889.71**	**(*)1,473.55**
(*)Cash and Cash equivalents at the end of the year includes balance in PD accounts.				135.24	289.95	

Annexure IV

STATEMENT OF CHANGES / RESTATED PROFIT AND LOSS

Rs. in million

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Profit after tax as per audited statement of accounts		**4,521.81**	**12,293.71**	**10,089.35**	**7,855.28**	**7,482.04**	**6,425.95**
Adjustment on account of							
(i) Changes in Accounting Policies							
	Allocation of Common Expenditure [Note 1(i) of Annexure IV(a)]	0.00	0.00	0.00	0.00	0.00	151.66
	Deferred Revenue Expenditure [Note 1(ii) of Annexure IV(a)]	13.54	81.94	88.65	93.11	138.45	-159.71
	Self Insurance Reserve [Note 1(iii) of Annexure IV(a)]	0.00	0.00	0.00	0.00	151.79	150.81
	Total	**13.54**	**81.94**	**88.65**	**93.11**	**290.24**	**142.76**
(ii) Material Adjustments							
	Tariff Adjustments [Note 2 (i) of Annexure IV(a)	2.20	-1,004.10	-1,714.99	797.50	1,941.49	1,378.98
	Effect of Scheme for Settlement of SEB dues [Note 2 (ii) of Annexure IV(a)]	-1.45	-50.48	-528.91	-130.57	-525.58	-1712.45
	CANFINA Adjustments [Note 2 (iii) of Annexure IV(a)]	0.00	-455.01	793.01	-16.86	-16.86	-16.86
	ABFSL Adjustments [Note 2(iv) of Annexure IV(a)]	0.00	0.00	0.00	3.03	49.32	-0.60
	Arrears of remuneration to employees [Note 2 (v) of Annexure IV(a)]	0.00	75.04	-27.60	-27.09	208.79	-60.22
	Total	**0.75**	**-1,434.55**	**-1,478.49**	**626.01**	**1,657.16**	**-411.15**
(iii)	Prior Period Items [Note 3 of Annexure IV(a]	**3.05**	**-95.47**	**839.34**	**-426.47**	**1,516.16**	**-263.89**
(iv)	Tax Adjustments [Note 4 & 5 of Annexure IV(a]	**0.00**	**30.95**	**-25.24**	**149.88**	**-714.02**	**376.96**
Net Adjusted Profit/ (-) Loss		**4,539.15**	**10,876.58**	**9,513.61**	**8,297.81**	**10,231.58**	**6,270.63**

Annexure IV (a)

EXPLANATORY NOTES FOR THE ADJUSTMENTS MADE:

1. Changes in Accounting Policies:-

i) Corporate and Regional Office expenses were allocated to revenue and construction in the ratio of transmission income to annual capital outlay. From the financial year 2003-04, the company has changed the policy of allocation of such expenses. The expenses directly identifiable to various O&M and construction activities of company are allocated directly. Expenses to the extent not so identifiable are considered as common expenses and have been first allocated to each business activity of the company in the ratio of their income/reimbursement. Common expenses so allocated in to transmission and telecom activities are further classified between revenue and construction in the ratio of income and capital outlay. Similarly, training and recruitment expenditure, which were earlier directly charged to revenue, have been

treated as common expenditure from the Financial year 2003-04 onwards and have been allocated between revenue and construction in accordance with the above accounting policy. Impact of these changes has been worked out for the financial year 2002-03.

ii) Until the financial year ended March 31, 2003, the Company had incurred certain 'deferred revenue expenditure' which was being amortised over a period of five years in line with the then Accounting Standard. As Accounting Standard 26 on ' Intangible Assets' was made mandatory for the accounting period commencing on or after April 1, 2003 the Company changed its policy to charge such expenses to the profit and loss account in the year in which they were incurred.

Accordingly, the carrying amount of deferred revenue expenditure forming part of the Balance Sheet as at March 31, 2003 which was not charged to the Profit and Loss Account has now been restated and charged to the respective years to which it was related.

iii) Self insurance reserve which upto the financial year 2003-04 was considered as charge to Profit and Loss Account has been considered as appropriation of profit w.e.f. F.Y. 2004-05. Charge on account of self insurance reserve for the financial years 2003-04, 2002-03 has been accordingly reversed and considered as appropriation of profit.

2. Other Material Adjustments

i) Tariff Adjustments: Transmission income is accounted for based on tariff rates notified by Central Electricity Regulatory Commission (CERC). In case of transmission projects where tariff rates are yet to be notified, transmission income is accounted as per tariff norms notified by CERC and shortage/excess, if any, is adjusted based on final notification of tariff by CERC including other amendments in similar cases. Transmission income on account of additional capitalization, if any, is accounted for on the basis of specific orders by the CERC. Adjustments carried out on issue of final orders and on account of orders in respect of additional capitalization have been reallocated to the year to which they relate. The restatement includes provisions made and written back in different years on this account.

ii) Dues from SEBs were securitized by issue of 'securitization bonds' in the financial year 2003-04 with retrospective effect from October 1, 2001. Such bonds were issued in the financial year 2003-04, 2004-05 and 2005-06. Interest and incentives in respect of such bonds being accounted in the year of issue of bonds have been restated in the respective years. The restatement includes provisions made and written back in different years on this account. The restatement also includes surcharge which was accounted for in different years on certainty of receipt basis due to scheme of securitization of debts.

iii) **Canfina Matter** : During the year 2006-07 the company has entered into "Settlement Agreement" with CANFINA, Canara Bank and Canbank Mutual Fund (CBMF), pursuant to which a payment of Rs. 2269.48 million (Rs. 757.80 million to Canara Bank & Rs. 1511.68 million to CBMF) was made and an amount of Rs. 1241.23 million was received from CANFINA (net of inter-se adjustment of amount payable). Under this settlement all liabilities pertaining to unpaid principal and interest in respect of aforesaid bonds since the year 1991-92 (hitherto being considered as 'Provision & Contingent Liabilities') stands settled. In view of the full and final settlement with the beneficiaries, provision of Rs. 1309.90 million, made in the previous years, has been written back during the year 2006-07. Further, the aforesaid

Agreement has resulted in payment of interest and finance charges of Rs. 1481.50 million and receipt of interest of Rs. 610.90 million. In the Restated Accounts interest expenditure of Rs. 1427.69 million (exluding Rs. 53.81 million pertaining to financial year 2006-07) and interest income of Rs. 572.84 million (excluding Rs. 38.06 million pertaining to financial year 2006-07) has been allocated /charged to the year to which it relates. In this regard net provision of Rs. 809.90 million was made in Financial Year 2005-06 and Rs. 500 million was made in the financial year 2001-02, which in view of the agreement has been written back in financial year 2006-07. In the restated accounts, aforesaid provision of Rs. 1309.90 million written back in financial year 2006-07, is reversed and the same have been withdrawn in the years in which they were created.

iv) **ANDHRA BANK FINANCIAL SERVICES LTD. (ABFSL)**

The company was under legal proceeding in respect of bonds issued and deposits placed during the Financial Year 1991-92 in pursuant to a contract with ABFSL. During the year 2003-04 the company has settled the matter as instructed by the various judicial/administrative authorities involved and accordingly a sum of Rs. 180.60 million representing the Bonds forfeited and kept in capital reserve has been written back along with Rs. 4.00 million lying in bonds payable under Other Liabilities Account giving the corresponding effect thereof by adjusting the deposits of Rs. 215.00 million shown hitherto as part of Balance with Subsidiary of Scheduled Banks and reversing the up front fee of Rs. 5.60 million by showing the same as Misc. income. Further, the company has, in accordance with the instruction of court, paid interest to the tune of Rs. 49.90 million to certain transferees of the aforesaid bonds.

During the year 2004-05, pursuant to the decision of Hon'ble Supreme Court of India, in the pending matter of bona fide owners of the bonds issued in earlier years, the company has paid a sum of Rs. 5.07 million (including interest of Rs. 3.07 million) to one of such bona fide owners. The entire amount so paid (including principal value of the bond) has been charged to Profit and Loss Account. The expenditure due to above settlement has been taken to the years to which it relates.

v) Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective years.

3. Prior Period Adjustments: Prior period adjustments as disclosed in the profit and loss account have now been restated and charged to the respective years to which they were related.

4. Impact of income tax on above adjustments has been computed net of tax recoverable from beneficiaries.

5. Tax provisions for the earlier years have been restated in the respective year.

6. Presentation of Balance Sheet, Profit & Loss Account and Schedules thereto was regrouped from financial year 2004-05 onwards. Similar re-grouping has been carried out in the financial year 2002-03 and 2003-04.

7. During the year 2004-05, method of creation of Debenture Redemption Reserve (DRR) was reviewed pursuant to the interpretation of the relevant circular of department of company affairs and accordingly DRR has been created, from the financial year 2004-05 onwards, to the extent of 25% of the amount to be redeemed in each year by equally spreading the amount over the number of years before the year of maturity for each STRPP. Appropriation towards DRR has been restated by following the above method for the financial year 2002-03 and 2003-04 also.

Accounts for the five years ending on March 31, 2007 & quarter ending June, 2007 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India referred above. The effect of these changes has been shown as separate line items. The effect of changes for the financial years prior to 2002-03 has been adjusted in the General Reserve as at April 1. 2002.

Annexure IV (b)

EXPLANTORY NOTES ON ADJUSTMENTS NOT MADE:

1. The Company has been providing depreciation on fixed assets relating to transmission system since financial year 2001-02 at the rates notified for the purpose of recovery of tariff, by CERC which are different from the rates specified under the Companies Act, 1956. Ministry of Power has issued tariff policy which states that rates of depreciation as notified by CERC would be applicable for the purpose of tariffs as well as for accounting. Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present Tariff norms are considered appropriate for charging depreciation. In view of above, no adjustments has been carried out in respect of difference in depreciation rates adopted by the company and rates as prescribed in Schedule XIV to the Companies Act 1956.

Annexure IV (c)

Auditors qualifications	How dealt with in the restated financial information
2002-03	
1. i) Restoration of deposits of Rs. 1120.58 million, as referred to in Note no. 8 I(a) and 8 II(a) in Schedule 18, has resulted in overstating capital reserve and understating loan fund to such extent. In our opinion, the methodology of write back of front-end fee, restoration of deposit and showing external liability as capital reserve is not correct .	**Adjusted / Complied With**
ii) Rs. 939.98 million are deposits with CANFINA, as referred to in Note no. 8 I (a) in Schedule 18, against which, though the Company holds an adhoc provision of Rs. 500 million, we are unable to express an opinion about the extent of recoverability.	**Adjusted / Complied With**
iii) Rs. 180.60 million are deposits with ABFSL, as referred to in Note no. 8 II (a) in Schedule 18 which, though according to the	**Adjusted / Complied With**

	Auditors qualifications	How dealt with in the restated financial information
	management are good and recoverable, we are unable to express an opinion about the extent of recoverability.	
	iv) Set-off of maturity value of bonds of Rs. 157.67 million during the year 1998-99, as referred to in Note no. 8 I(b) in Schedule 18, against deposits with CANFINA, has resulted in understatement of liabilities and current assets to such extent.	**Adjusted / Complied With**
	Pending settlement of the above matters, the resultant net effect on the accounts is not ascertainable.	
2.	*i) Pending disposal of appeal filed by the Company against the CERC orders before the Hon'ble Delhi High Court, the transmission income for the year has been accounted for provisionally on the basis of tariff determined as per CERC norms (Note no. 14(a) in Schedule 18), the consequential effect of which is not ascertainable.*	**Adjusted/ Complied With**
	ii) Depreciation on fixed assets has been provided at the rates specified in the tariff notification issued by CERC (Note no. 15 in Schedule 18), resulting in understatement of depreciation and overstatement of profit for the year by Rs. 4,610.6 million.	**Not Adjusted**
	iii) The Government of India Scheme of April, 2002, for one time settlement of State Electricity Boards dues to the Company as on September 30, 2001 (Note no. 20 in Schedule 18), when implemented, may result in securitisation of Sundry Debtors retrospectively by issue of bonds.	**Adjusted / Complied With.**

Auditors qualifications	How dealt with in the restated financial information
2003-04	
1. i) Restoration of deposits of Rs. 939.98 million, as referred to in Note no. 8.I(a) in Schedule 18, has resulted in overstating capital reserve and understating loan fund to such extent. In our opinion, the methodology of write back of front-end fee, restoration of deposit and showing external liability as capital reserve is not correct .	**Adjusted/ Complied With**
ii) Set-off of maturity value of bonds of Rs. 157.67 million during the year 1998-99, as referred to in Note no. 8 I(b) in Schedule 18, against deposits with CANFINA has resulted in understatement of liabilities and current assets to such extent.	**Adjusted/ Complied With**
iii) Consequent to (i) and (ii) above, Rs. 782.31 million are lying as Deposits with CANFINA, in respect of which, though the Company holds an adhoc provision of Rs. 500 million towards final settlement of the matter, we are unable to express our opinion about the extent of recoverability. (Refer Note 8(1) of Schedule 18) . *Pending settlement of the above matter, the resultant net effect on the accounts is not ascertainable.*	**Adjusted/ Complied With**
2. i) Pending disposal of appeal filed by the Company against the CERC orders before the Hon'ble Delhi High Court, the transmission income for the year has been accounted for provisionally as in earlier years on the basis of tariff determined as per CERC norms (Note no. 14(a) in Schedule 18), the consequential	**Adjusted/ Complied With**

Auditors qualifications	How dealt with in the restated financial information
effect of which is not ascertainable.	
ii) The Government of India Scheme implemented for one time settlement of State Electricity Boards dues to the Company as on September 30, 2001 (Note no. 21 in Schedule 18), may result in securitization of certain Sundry Debtors retrospectively by issue of Bonds	**Adjusted/ Complied With**
2004-05	
1. i) Restoration of deposits of Rs. 939.98 million, as referred to in Note no. 8.I(a) in Schedule 28, has resulted in overstating capital reserve and understating loan fund to such extent. In our opinion, the methodology of write back of front-end fee, restoration of deposit and showing external liability as capital reserve is not correct .	**Adjusted/ Complied With**
ii) Set-off of maturity value of bonds of Rs. 157.67 million during the year 1998-99, as referred to in Note no. 8 I(b) in Schedule 28, against deposits with CANFINA has resulted in understatement of liabilities and current assets to such extent	**Adjusted/ Complied With**
iii) Consequent to (i) and (ii) above, Rs. 782.31 million are lying as Deposits with CANFINA, in respect of which, though the Company holds an adhoc provision of Rs. 500 million towards final settlement of the matter, we are unable to express our opinion about the extent of recoverability. (Refer Note 8(1) of Schedule 28).	**Adjusted/ Complied With**

Auditors qualifications	How dealt with in the restated financial information
Pending settlement of the above matter, the resultant net effect on the accounts is not ascertainable.	
2. i) *Pending disposal of appeal filed by the Company against the CERC orders before the Hon'ble Delhi High Court, the transmission income for the year has been accounted for provisionally as in earlier years on the basis of tariff determined as per CERC norms (Note no. 14(a) in Schedule-28.), the consequential effect of which is not ascertainable.*	**Adjusted/ Complied With**
ii) *The Government of India Scheme implemented for one time settlement of State Electricity Boards dues to the Company as on September 30, 2001 (Note No. 20(b) in Schedule-28), may result in securitization of certain Sundry Debtors retrospectively by issue of Bonds.*	**Adjusted/ Complied With**

Auditors qualifications in maocaro/caro	How dealt with in the restated financial information
2002-03	
i) The company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened.	**Needs to be further improved.**
2003-04	
i) The Company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its	**Needs to be further improved.**

Auditors qualifications	How dealt with in the restated financial information
business. However, the compliance and implementation mechanism needs to be further strengthened.	
ii) On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders **except bonds of Rs.157.67 million payable to CANFINA, which has been set off against corresponding deposit in earlier years and is lying unpaid in view of the legalities involved in the matter. Refer Note No. 8 (I)** of the Schedule 18 of Notes On Accounts.	**Adjusted / Complied with.** **Needs to be further improved.**
2004-05	
i) The Company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened.	**Adjusted/Complied with.**
ii) On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders **except bonds of Rs.157.67 million payable to CANFINA, which has been set off against corresponding deposit in earlier years and is lying unpaid in view of the legalities involved in the matter. Refer Note No. 8 (I)** of the Schedule 28 of Notes on Accounts.	**Needs to be further improved.**
2005-06	
i) The Company has an Internal Audit system. In our	

Auditors qualifications	How dealt with in the restated financial information
opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened. **2006-07** i) The Company has an Internal Audit system. In our opinion, the scope and coverage of Internal Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further improved.	**Needs to be further improved.**

Annexure – V (a)

SIGNIFICANT ACCOUNTING POLICIES

A.1 ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable Accounting Standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

2. RESERVES AND SURPLUS

2.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for Projects and betterment of transmission systems are shown as "grants-in-aid" till the utilisation of grant. However, grants received for specific depreciable assets are also shown as "grants-in-aid" while the assets are under construction.

2.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognised in the Profit and Loss Account over the useful period of life and in proportion to which depreciation on these assets is provided.

2.3 Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except for valve halls of HVDC Bi-pole, HVDC equipments and SVC sub stations) as at the end of the year by appropriating current year profit towards future losses which may arise from un-insured risks. The same is shown as "Self Insurance Reserve" under 'Reserves & Surplus' and shall be reversed on actual utilization in subsequent years.

3. FIXED ASSETS

3.1 Fixed Assets are stated at historical cost of acquisition including freight, insurance, duties, taxes & other incidental expenses incurred to bring the asset to use.

3.2 In the case of commissioned assets, deposit works/cost- plus contracts where final settlement of bills with contractors is yet to be affected; capitalisation is made on provisional basis subject to necessary adjustments in the year of final settlement.

3.3 Assets and Systems common to more than one Transmission System are capitalised on the basis of technical estimates and /or assessments.

3.4 Transmission System Assets are considered 'Ready for intended use', for the purpose of capitalization, after test charging/successful commissioning of the systems/assets and completion of stablization period wherever technically required.

3.5 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses but does not include the deposits/advances/expenditure incurred wherever possession of land is not taken.

3.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.

3.7 Capital expenditure on assets not owned by the company is reflected as a distinct item in Capital Work-in-Progress till completion and thereafter shown as a distinct item in Fixed Assets.

3.8 Insurance 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 & machinery.

3.9 Mandatory spares in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies either procured along with the equipments or subsequently, are capitalized.

4. CAPITAL WORK IN PROGRESS (CWIP)

4.1 Cost of material consumed, erection charges thereon along with other incidental expenses incurred for the projects are shown as CWIP till the capitalisation of the system.

4.2 Incidental Expenditure During Construction (net) including Corporate and Regional Office expenses allocated to the projects prorata to their capital expenditure for the year, is apportioned to capital work in progress (CWIP) on the basis of accretion thereto. Interest During Construction is apportioned on the closing balance of CWIP.

4.3 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors/technical assessment of work completed.

4.4 Claims for price / exchange rate variation in case of contracts are accounted for on acceptance.

5. CONSTRUCTION STORES

Construction stores are valued at cost.

6. EXPENDITURE DURING CONSTRUCTION

6.1. The common expenses (Net) of Corporate Office and Regional Offices are allocated to various diversified activities of the company like Transmission, Telecom, Consultancy & Accelerated Power Development and Reform Program in the ratio of the income/reimbursement of each activity respectively.

6.2 The common expenses thus allocated are further allocated to Incidental expenditure during construction (IEDC) and Revenue in Transmission/Telecom activities in the ratio of capital outlay thereof to transmission charges (excluding income tax recovery)/ telecom income.

6.3 Expenses of the project, common to operation and construction activities are allocated to Revenue and incidental expenditure during construction in the proportion of transmission income (excluding income tax recovery) to capital outlay.

7. BORROWING COST

7.1 All the borrowed funds are earmarked to specific projects. The borrowing costs (including Bond Issue expenses, Interest, Front End fee, Management fee, etc.) are allocated to the projects in proportion to the funds so earmarked.

7.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.

7.3 Exchange Rate Variation on loans towards fixed assets not acquired from outside India is considered as borrowing cost to the extent it does not exceed domestic borrowing cost in accordance with AS-16.

8. TRANSACTION IN FOREIGN CURRENCY

8.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/deposits/liabilities are translated /converted with reference to the rates of exchange ruling at the Balance Sheet date.

8.2 Exchange Rate Variation (except the amount considered as 'borrowing cost' under para 7.3 above) arising on transactions contracted prior to April 1, 2004 is adjusted to carrying cost of Capital Work-in-Progress/Fixed Assets in case of Capital Assets. For the transactions contracted after April 1, 2004, the same is charged to Profit & Loss Account and is considered IEDC till the commissioning of the project in terms of AS-11 (revised 2004).

8.3 Exchange Rate Variation in respect of Current Assets is charged off to revenue.

9. INVESTMENTS

Long term investments are carried at cost less provisions, if any, for permanent diminution in the value of such investments.

10. INVENTORIES

10.1. Inventories are valued at the lower of cost, determined on weighted average basis, and net realsiable value.

10.2 Steel scrap and conductor scrap are valued at estimated realisable value or book value, whichever is less.

10.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the line.

10.4 Surplus materials as determined by the management are held for intended use and are included in inventory.

11. DEFERRED REVENUE EXPENDITURE

Deferred Revenue Expenditure (DRE) created up to March 31, 2003 (prior to the date AS-26 became mandatory) are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

12. REVENUE RECOGNITION

12.1.1 Transmission Income is accounted for based on tariff rates notified by Central Electricity Regulatory Commission (CERC). In case of transmission projects where tariff rates are yet to be notified, transmission income is accounted as per tariff norms and other amendments notified by CERC in similar cases. Shortage/excess, if any, is adjusted based on final notification of tariff by CERC. Transmission income on account of additional capitalization, if any, is accounted for on the basis of specific order by the CERC.

12.1.2 Income from Short Term Open Access is accounted for on the basis of regulations notified by CERC.

12.1.3 Advance Against Depreciation, forming part of tariff pertaining to subsequent years, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.

12.2 Surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt/certainty of receipt basis.

12.3 Liquidated damages/warranty claims and Interest on advances to suppliers are not treated as accrued due to uncertainty, and are, therefore, accounted for on receipt / acceptance basis.

12.4 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.

12.5.1 Income from sole Consultancy Contracts is accounted for on technical assessment of progress of services rendered.

12.5.2 In respect of other Cost-plus-Consultancy Contracts, involving execution on behalf of the client, income is accounted for, in phased manner as under:

a.	On issue of Notice Inviting Tender for execution	10%
b.	On Award of Contracts for execution	5%
c.	On the basis of actual progress of work including supplies	85%

12.6 The Transmission system Incentive / Disincentive is accounted for based on the norms Notified / approved by Central Electricity Regulatory Commission on certification of availability by the respective Regional Electricity Boards.

12.7.1 Scrap other than steel scrap & conductor scrap is accounted for as and when sold.

12.8 Dividend including interim dividend is recognised as income in the year of declaration.

13. LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)

13.1 State Sector Unified Load Despatch Centres assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with accretion in subsequent years is accounted as Lease Receivables under Loans & Advances. Wherever grant in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.

13.2 Finance income on leased assets is recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levellised tariff notified/to be notified by CERC.

13.3 Exchange Rate Variation (ERV) on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. ERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

14. DEPRECIATION

14.1.1 Depreciation is provided on Straight Line Method at the rates specified in norms notified by Central Electricity Regulatory Commission (CERC) for the purpose of recovery of tariff on pro-rata basis except for the following assets in respect of which depreciation is charged at the rates mentioned below:

a) ULDC	6%
b) Computers & Peripherals	30%
c) Mobile Phones	25%
d) Software	33.33%

14.1.2 Depreciation on assets of telecom and consultancy business, is provided on straight line method as per rates specified in Schedule XIV of the Companies Act,1956.

14.1.3 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation as specified by the CERC.

14.1.4 Capital expenditure on assets not owned by the company is amortized over a period of four years from the year in which the first line/sub-station of the project comes into commercial operation and, thereafter, from the year in which the relevant assets are completed and become available for use.

14.1.5 Plant and Machinery, Loose Tools and items of scientific appliances, included under different heads of assets, costing Rs.5000/- or less or with written down value of Rs.5000/- or less as at the beginning of the year, are charged off to revenue.

14.1.6 Leasehold land is depreciated over the tenure of the lease.

14.2 In the case of assets of National Thermal Power Corporation Limited (NTPC) , National Hydro-electric Power Corporation Limited (NHPC), North-Eastern Electric Power Corporation Limited (NEEPCO), Neyveli Lignite Corporation Limited (NLC) transferred w.e.f. April 1, 1992, Jammu and Kashmir Lines w.e.f. April 1, 1993, and Tehri Hydro Development Corporation Limited (THDC) w.e.f. August 1, 1993, depreciation is charged based on Gross Block as indicated in transferor's books with necessary adjustments so that the life of the assets as laid down in the CERC notification for tariff is maintained.

15. EXPENDITURE

15.1 Pre-paid/prior-period items up to Rs.100000/- are accounted to natural heads of account.

15.2 Expenses of Research and Development are charged to Revenue.

15.3 Expenditure, except the cost of equipment capitalised, incurred for activating the last mile connectivity of telecom links are amortised over the period of the agreement with the customer.

16. IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on 'Impairment of Assets' are identified at the balance sheet date with respect to carrying amount vis-à-vis. recoverable amount thereof and impairment loss, if any, is recognised in the profit & loss account. Impairment loss, if need to be reversed subsequently, is accounted for in the year of reversal.

17. RETIREMENT BENEFITS

17.1 The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.

17.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, post retirement medical benefits & Settlement Allowance to employees are accounted for on accrual basis based on actuarial valuation at the year end.

A.2 CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED MARCH 31, 2003 TO JUNE 30, 2007.

i. During the year ended 31st March, 2003, in line with Accounting Standard (AS)-2 "Valuation of Inventories" and " Accounting Standard (AS)-10 "Accounting of Fixed Assets", the company has capitalized insurance spares which can be used only in connection with an item of fixed asset and whose used is expected to be irregular and depreciated the same over the residual useful life of the related plant and machinery.

ii. From the year ended 31st March, 2003, the company has capitalized expenditure, on levelling, clearing and grading of land retrospectively, as part of the cost of buildings as against earlier policy of including expenditure in cost of land.

iii. From the year ended 31st March, 2003, the company has accounted surcharge on receipt/certainty of receipt basis as against the earlier policy of accounting on receipt basis.

iv. From the financial year 2003-04, the company has allocated such corporate and regional office expenses which are directly identified to various O&M and construction activities of the company and which are not identifiable, are considered as common expenses and has been first allocated to each business activity of the company in the ratio of income/reimbursement. The common expenditure so allocated is further allocated between revenue and construction in the ratio of income and capital outlay. The present policy is against the earlier policy of allocating to revenue and construction in the ratio of transmission income to annual capital outlay.

v. From the financial year 2003-04, the training and recruitment expenditure have been treated as common expenditure to be allocated between revenue and construction as against the earlier policy of charging to revenue.

vi. In view of applicability of AS-26 on 'Intangible Assets' with effect from financial financial year 2003-04 the revenue expenditure (including depreciation), incurred during the intervening period of projects ready for intended use but not under commercial operation, has been charged to revenue which was earlier being included under Deferred Revenue expenditure.

vii. Due to AS-29, becoming applicable from w.e.f. 01st April, 2004, the company has created self insurance reserve as an appropriation of Profit & Loss Account as against the earlier policy of charging such expenditure to revenue.

viii. In line with ASI- 10 of AS-16 on 'Borrowing Cost', the exchange rate variation, to the extent not exceeding domestic borrowing cost and pertaining to loans contracted after 01.04.2000 in respect of the assets not acquired from outside India, has been considered part of borrowing cost and shown as an adjustment to interest cost in the Profit & Loss Account. The policy has been changed in financial year 2004-05 retrospectively with effect from 01.04.2000 by considering the earlier years impact as prior period items.

ix. The policy stated at A.2 (viii) above has been amended, in financial year 2005-06, to include the loans contracted prior to 01.04.2000 and outstanding on the Balance sheet dates starting from 01.04.2000 i.e. the year of applicability of AS-16.

x. During the year 2004-05, the method of creation of Debenture Redemption Reserve (DRR) was reviewed pursuant to the interpretation of the relevant circular of Department of company affairs and accordingly DRR has been created, from the financial year 2004-05 onwards, to the extent of 25% of the amount to be redeemed in each year by equally spreading the amount over the number of years before the year of maturity for each Secured Transferable Redeemable Principal Parts (STRPPs).

Annexure V (b)

A. SUMMARY OF NOTES ON ACCOUNTS

1. The Transmission Systems situated in Jammu and Kashmir associated with National Hydroelectric Power Corporation Ltd. (NHPC) have been taken over by the Company w.e.f. April 1, 1993 as mutually agreed upon with NHPC pending completion of legal formalities.

2. The Regional Load Despatch Centres (RLDCs) of Central Electricity Authority were transferred to the Company (alongwith associated manpower) during the earlier years as per orders of Ministry of Power, Government of India. The Assets of RLDCs are being used by the Company pending transfer of ownership and determination of cost of assets so taken over.

3. a) Paid up Share Capital includes 1,81,25,29,500 equity shares of Rs. 10 each allotted as fully paid shares for consideration other than cash .

   b) Share Capital Deposit of Rs.388.12 million representing amount payable to Government of India as purchase consideration for ex-NHPC lines, has been adjusted by allotment of shares on April 14, 2007.

4.

   a) In certain cases including the entire land in state of Jammu & Kashmir, the conveyancing of title to the freehold land and execution/registration of lease agreement (value not ascertained) in favour of the company is pending completion of legal formalities.

   b) Freehold land includes Rs. 319.13 million in respect of land acquired for Residential Complex at Gurgaon for which Conveyance Deed in favour of the Company is yet to be executed.

   c) Leasehold land includes Rs. 76.40 million towards cost of land acquired in Katwaria Sarai, New Delhi. As the land is acquired on perpetual lease and does not have a limited useful life, no depreciation is being charged.

   d) Value of buildings includes Rs.72.74 million for 28 flats at Mumbai, for which registration in favour of the company is pending.

   e) Freehold land includes Rs.66.23 million and Rs.5.77 million for switchyards at Faridabad and Kayamkulam Power Station respectively for land which are yet to be transferred in company's name by NTPC. However, during the year 2006-07, in view of directions of Ministry of Power, the company has granted in-principle approval to transfer the aforesaid switchyard (alongwith freehold land mentioned above) to NTPC. Pending necessary approval & Memorandum of Understanding , advance of Rs. 800 million received during the year 2006-07 has been kept in 'Deposits, Retention money from Contractors & others' under 'Current Liabilities'.

5. Wage revision of the employees of the company is due w.e.f. 01/01/2007. Pending decision of the Committee, formed by Government of India, a provision of Rs. 296.91 million has been made during the period on the basis of last pay revision of 1997.

6. Secured Loans includes Bond Series XXI to XXV aggregating to Rs.33720 million in respect of which Trust Deed has not been executed till the finalization of the financial statements.

7. a) (i) Interest cost for the quarter is adjusted by Exchange Rate Variation Gain (Limited to domestic borrowing cost) amounting to Rs. 1983.40 million (net of Rs. 515.70 million gain for the construction period) {previous year gain of Rs. 40.10 million (net of Rs. 223.40 million loss for the construction period)} towards loan liabilities attributable to fixed assets not acquired outside India. Matter regarding accounting of ERV has been referred to Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion.

(ii) An amount of Rs. 1569.80 million (previous year Rs. 322.20 million towards exchange rate variation gain) being remaining exchange rate variation gain has been adjusted in the respective carrying amount of Fixed Assets/ Capital Work in Prograss.

8. a) Balances in Loans & Advances, Material with Contractors, Sundry Creditors, Advances from Customers and Sundry Debtors are subject to confirmation and consequential adjustments if any.

b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

9. Cash & Bank Balance includes Rs 242.37 million on account of deduction of Tax at Source on perquisites to employees as per the provisions of the Income Tax Act, 1961 and deposited in a separate bank account as per Orders of the Hon'ble Kolkata High Court.

10. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is Rs 63507.68 million.

11. No provision has been made for tax demands amounting to Rs.2163.81 million and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same are shown as Contingent Liabilities.

12. a) Central Electricity Regulatory Commission (CERC), constituted under erstwhile Electricity Regulatory Commission Act, 1998, issued orders in December, 2000 with respect to the norms, principles and availability based tariff. An appeal was filed by the Company against the above orders before the Hon'ble Delhi High Court, which is yet to be disposed. Pending disposal of appeal, CERC notified tariff norms, for the block period April, 2001 to March, 2004 and for the block period April, 2004 to March, 2009, have been followed by the company for recognition of income. Since the subject matter of the appeal is to restore certain components of tariff at par with the erstwhile GOI norms, which were more favourable than CERC norms, the impact of the appeal shall not result in any reduction in revenue.

b) Final tariff orders for some of the transmission lines/systems have been issued by CERC and accordingly the transmission income has been recalculated and necessary adjustment has been carried out. However, the final tariff orders of certain transmission lines/systems are still awaited.

c) Govt. of India vide order dated February 16, 2005 had directed the company to approach CERC for fixation of tariff after restoration of depleted equity of Rs. 6,455.70 million. CERC vide Order dated May 11, 2005 has rejected the company's petition in the aforesaid matter, against which an Appeal was filed with the Hon'ble Appellate Tribunal for Electricity. The order of the CERC has been set aside by the Hon'ble Tribunal vide its order dated May 16, 2006, and has remitted the matter to CERC for re-determination of tariff for the period commencing from 01st April 2004. Some of the beneficiaries have appealed against the aforesaid order before Hon'ble Supreme Court of India As the matter is subjudice, no income has been recognized.

d) Pending decision of CERC, on the issue of delay in commercial operation, the tariff, pertaining to amount notionally capitalised for the delayed/suspended period, has not been recognised as income.

e) On the issue of deployment of FERV, the Hon'ble Appellate Tribunal for Electricity has issued Order dated October 4, 2006 and December 22, 2006 in favour of the Appellant beneficiaries. The company has filed an appeal before the Hon'ble Supreme Court of India in the matter of one of the beneficiaries. Pending settlement/decision of the Court in the matter, a sum of Rs. 244.32 million has been considered as contingent liability.

13. a) The Company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff, by Central Electricity Regulatory Commission (a body constituted under erstwhile Electricity Regulatory Commission Act, 1998 and recognised under the Electricity Act, 2003) which are different from the rates specified under Companies Act, 1956. The issue of charging depreciation at rates different from the rates specified under Companies Act has been referred by CAG to Ministry of Power and the same is pending for disposal with Ministry of Power, Govt. of India. However, MOP has issued tariff policy which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as accounting. Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present Tariff Norms are considered appropriate for charging depreciation. However, by charging depreciation at the aforesaid rates the depreciation charge for the period is lower by Rs 1371.90 million as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.

b) Further the company has been providing depreciation in accordance with the relevant accounting policy in respect of the assets for which rates are not specified by the CERC/competent government as stated above.

14. a) Pending finalisation of JV Agreement, a sum of Rs. 32.23 million incurred towards Koldam Transmission Project is shown as recoverable from the proposed joint venture company of the project.

b) A part of the transmission system under Western Region System Strengthening Scheme II is to be executed through Independent Power Transmission Company (IPTC) route, as per directions of CERC, for which bids for participation have been invited. Pending selection of IPTC entity, expenditure of Rs. 42.00 million incurred for that part of the transmission system has been kept under CWIP.

15. a) Pending finalization of JV Agreement, a sum of Rs. 32.20 million (previous year Rs. 32.20 million) incurred towards Koldam Transmission Project is shown as recoverable from the proposed joint venture company of the project.

b) A part of the transmission system under Western Region System Strengthening Scheme II is to be executed through Independent Power Transmission Company (IPTC) route, as per directions of CERC, for which bids for participation have been invited. Pending selection of IPTC entity, expenditure of Rs. 42.00 million (previous year 42.00 million) incurred for that part of transmission system has been kept under CWIP.

16. As required by Accounting Standard (AS) 28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company has carried out the assessment of impairment of assets. There has been no impairment loss during the period.

17. Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

Contingent Liabilities:

a) Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court/appellate authorities/ out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals respectively.

b) Reimbursement of outflow in respect of 'Claim against the Company not acknowledged as debt' and 'Disputed tax demands-Income Tax' (limited to Income Tax on core activity only) as stated in Schedule 18 of Contingent Liability, is dependent on the admittance of petition by CERC and in remaining cases no reimbursement is expected.

18. The Company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries.

19. Afforestation compensation for acquiring Right of Way, for erection of the transmission systems are include in the capital cost of the plant & machinery (towers) of the respective transmission system as in the earlier years. In view of the observations of CAG on the accounts for the financial year 2004-05 to consider the same as expenditure incurred on assets not owned by the company in accordance with the Accounting Policy of the company, the matter has been referred to the Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion.

20. **Consolidated Financial Statements**

a) The Company has an investment of Rs. 0.50 million in the Equity shares of Parbati Koldam Transmission Company Ltd, a subsidiary company. An amount of Rs. 0.37 million, for sale/transfer of 74% shares of the aforesaid subsidiary company to the joint venture partner, has been received and has been kept in other liabilities pending transfer of shares and signing of JV agreement.

(vii) The company also has an investment of Rs. 0.50 million in equity shares of Byrnihat Transmission Company Limited, a subsidiary Company.

Since transactions of both the subsidiaries are not material, the accounts of the two subsidiaries have not been considered for consolidation.

21. Information in relation to the interest of the company in Joint Venture Agreement in accordance with the provision of AS-27.

		Powerlinks Transmission Limited	**Torrent Power Grid Limited**	**Jaypee Powergrid Limited**
A	Significant Joint Venture & Description	Establishment & maintenance of specific Transmission Lines associated with Tala HEP Project.	Establishment & maintenance of specific Transmission Lines associated with Generation Project at Akhakhol in Surat	Establishment & maintenance of specific Transmission Lines associated with Generation Project at Karcham in Kinnaur at Himachal Pradesh.
B	Proportion of ownership and name of the JV partner	POWERGRID – 49% equity, The Tata Power – 51% equity.	POWERGRID – 26% equity, Torrent Power Limited – 74% equity.	POWERGRID – 26% equity, Jaiprakash Hydro-Power Limited – 74% equity (as on March 31, 2007 POWERGRID is holding

		Powerlinks Transmission Limited	Torrent Power Grid Limited	Jaypee Powergrid Limited
				20.63% shares in the Joint Venture. However, as per Share Holders Agreement, POWERGRID has right to hold 26% shares).
C	Country of incorporation of JV partner	India	India	India
D	Contingent Liability	Shares worth Rs. 2293.20 million (Refer Note to Annexure XIV) of the Joint Venture Company are pledged with the lenders of the Joint Venture Company.	Nil	Nil
E	Capital Commitment	Nil	Nil	Nil
F	Disclosure of information related to and included in Assets/liabilities & reimbursement of expenses	- Rs. 2293.20 million equity contribution in Powerlinks Transmission Ltd. Shown under 'Investments'.	- Rs. 0.13 million equity contribution in Torrent Power Grid Limited shown under 'Investments'.	Rs. 0.13 million equity contribution in Jaypee Powergrid Limited shown under 'Investments'. Rs. 12.87 million share application money included in other advance pending allotment by the JV. A consultancy agreement for Rs. 8.00 million has been entered with Jaiprakash Hydro-Power Limited on behalf of Jaypee Powergrid Limited for detailed survey work for Transmission System associated with 1000 MW Karcham Wangtoo HEP. An advance of Rs. 3.20 million has been received against this agreement in Financial Year 2006-07.
		- 49% share as on March 31, 2007 in the equity of Powerlinks Transmission Ltd. represents assets, liabilities, income & expenditure based on audited accounts as at : March 31, 2007	- 26% share as on March 31, 2007 in the equity of Torrent Power Grid Ltd. represents assets, liabilities, income & expenditure based on audited accounts as at March 31, 2007:	20.63% share as on in the equity of Jaypee Powergrid Ltd. represents assets, liabilities, income & expenditure based on audited accounts as at March 31, 2007:
	Assets & liabilities			
	Net Block	7,129.82	Nil	Nil
	Work in Progress	2.03	Nil	0.46
	Investment	563.95	Nil	Nil
	Net Current Assets	-179.08	0.09	(1.03)
	Total Assets	7,516.72	0.09	(0.57)
	Less : Loans	5171.71	0.05	Nil
	Net Worth:	2,345.01	0.04	(0.57)

		Powerlinks Transmission Limited	Torrent Power Grid Limited	Jaypee Powergrid Limited
	Represented by			
	Equity	2,293.20	0.13	0.13
	Miscellaneous Expenditure	Nil	(0.09)	(0.70)
	Profit & Loss A/c.	37.11	Nil	Nil
	Reserves	14.70	Nil	Nil
	Income & Expenditure			
	Revenue from Operations	661.53	Nil	Nil
	Other Income	16.90	Nil	Nil
		678.43	Nil	Nil
	Less : Employees Remuneration	11.65	Nil	Nil
	O&M expenditure	7.75	Nil	Nil
	Depreciation	248.01	Nil	Nil
	Interest & Finance Charges	293.63	Nil	Nil
	Profit Before Tax	117.39	Nil	Nil
	Taxes	16.58	Nil	Nil
	Profit After Tax	100.81	Nil	Nil

22. Figures as stated above are as at June 30, 2007 unless stated otherwise.

Annexure VI

STATEMENT OF DIVIDENDS

(Rs. in million)

Description	First Quarter ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Equity Share Capital	38,262.19	37,874.07	35,846.29	31,652.49	30,352.49	30,352.49
Share Capital Deposit	0.00	388.12	388.12	388.12	388.12	388.12
Total Share Capital	**38,262.19**	**38,262.19**	**36,234.41**	**32,040.61**	**30,740.61**	**30,740.61**
Face value (Rs)	10	10	10	10	10	10
Nos.	3,826,219,300	3,787,407,300	3,584,628,600	3,165,248,600	3,035,248,600	3,035,248,600
Rate of Dividend (%)						
Interim		3.04	2.43	2.78		1.65
Final		6.70	6.01	3.03	4.12	1.65
Amount of Dividend						
Interim		1,150.00	872.30	880.00		500.00
Final		2,538.20	2,154.50	960.00	1,250.00	500.00
Corporate Dividend Tax						
Interim		161.33	122.30	118.21		
Final		431.36	302.17	134.64	160.16	64.06

Note :
Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during the financial year 2006-07. Accordingly, face value of equity share and the number of shares have been restated for earlier years

Annexure VII

Statement of Accounting Ratios

Description	Quarter ending 30th June,07	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Basic EPS (Rs.)	1.19	2.93	2.89	2.71	3.37	2.07
Diluted EPS (Rs.)	1.19	2.90	2.86	2.68	3.33	2.04
Net Assets Value per share (Rs.)	29.15	28.26	27.54	27.95	26.68	23.93
Return on Net Worth (%)	4.07%	10.16%	9.64%	9.38%	12.63%	08.63%
Profit After Tax (Rs. in million)	4,539.15	10,876.58	9,513.61	8,297.81	10,231.58	6,270.63
Weighted Average No. of Shares for Basic EPS	3,820,674,729	3,708,927,912	3,290,075,700	3,057,687,000	3,035,248,600	3,035,248,600
Weighted Average No. of Shares for Diluted EPS	3,820,674,729	3,747,739,912	3,328,887,700	3,096,499,000	3,074,060,600	3,074,060,600
No. of Shares at the end of year (excluding Share Capital Deposit)	3,826,219,300	3,787,407,300	3,584,628,600	3,165,248,600	3,035,248,600	3,035,248,600
Net Worth (Rs. in million)	111,543.92	107,022.38	98,728.79	88,480.34	80,986.26	72,625.52

(*) Ratios for quarter ending June 30th, 2007 have not been Annualised.

Notes:
1. The ratios have been computed as below

Basic Earnings per Share	$\frac{\text{Adjusted profit after tax}}{\text{Weighted average no of equity shares for Basic EPS}}$
Diluted Earnings per Share	$\frac{\text{Adjusted profit after tax}}{\text{Weighted average no of equity shares for Diluted EPS}}$
Net Asset value per share	$\frac{\text{Networth excluding Development Surcharge Reserve (Fiscal 2004) and Grant in Aid}}{\text{Total number of equity shares as at the end of the year}}$
Return on Networth (%)	$\frac{\text{Adjusted profit after tax}}{\text{Networth excluding Development Surcharge Reserve (Fiscal 2004) and Grant in Aid}}$

2. The earning per share is calculated in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

3. Networth means Equity Share Capital+ Free Reserves and Surplus excluding revaluation reserves-Misc. Expenditure not Written off.

4. Face Value of equity share has been sub-divided from Rs. 1000/- to Rs. 10/- during the financial year 2006-07. Accordingly, the number of equity shares have been restated for earlier years.

Annexure-VIII

STATEMENT OF CAPITALISATION AS AT JUNE 30TH , 2007

(Rs. in million)

Sl.No	Description	Pre-Issue as June 30, 2007	Post-Issue (*)
A	Debt		
	a) Short-Term Debt	7,500.00	
	b) Long -Term Debt	194,815.92	
	Total Debt	**202,315.92**	
B	a) Equity Share capital	38,262.19	
	b) Reserves and Surplus	73,296.27	
	c)Less:Misc.Exp.to the extent not written off	14.54	
	Total Equity (Net Worth)	**111,543.92**	
C	**Debt/ Equity Ratio**	**1.81:1**	
D	**Long Term Debt/ Equity Ratio**	**1.75:1**	

Notes :

1 Long Term debt includes Loans/bonds repayable within one year of Rs.19,174.97 million.

(*) The figures can be ascertained only on the conclusion of the Book building process.

Annexure - IX

STATEMENT OF SECURED AND UNSECURED LOANS

(Rs. in million)

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
SECURED LOANS						
LOANS THROUGH BONDS						
BONDS VI SERIES						
13% Taxable, Secured, Redeemable, Non-cumulative	500.00	500.00	600.00	700.00	800.00	900.00
Non-convertible Bonds of Rs.1000/-each redeemable at par in 10(ten) equal annual installments from December 6, 2002 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System						
BONDS VII SERIES						
13.5% Taxable Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs.1000/-each redeemable at par in 5(five) equal annual installments from August 4, 2003 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Kahalgaon Transmission System and Ramagundam Stage-I & II Transmission System.	400.00	400.00	800.00	1,200.00	1,600.00	2,000.00
BONDS VIII SERIES						
10.35% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs.1000/-each redeemable at par in 10(Ten) equal annual installments w.e.f.April 27, 2005 Secured by floating charge over the Fixed Assets of the Corporation.	140.00	160.00	180.00	200.00	200.00	200.00
BONDS IX SERIES						
12.25% Taxable, Secured, Redeemable, Non-cumulative, Non- convertible Bonds of Rs. 100,000/- each redeemable at par in 10(Ten) equal annual installments w.e.f. August 22, 2003 Secured by way of Registered Debenture Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	3,459.00	3,459.00	4,035.50	4,612.00	5,188.50	5,765.00
BONDS X SERIES						
10.90% Taxable , Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs. 1.20 million each redeemable at par in 12 (twelve) equal annual installments w.e.f June 21, 2004 Secured by way of Registered Debenture Trust Deed ranking pari passu on immovable	5,076.80	5,711.40	6,346.00	6,980.60	7,615.20	7,615.20

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
property situated at Mouje Ambheti, Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of CTP-I,Farakka & Chamera Transmission system						

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
BONDS XI SERIES						
a) 9.80% Taxable Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 30 million each consisting of 12 STRPPs of Rs 2.5 million each, redeemable at par in 12 (twelve) equal annual installments w.e.f December 7, 2005 Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Anta, Auriya,Moga-Bhiwani, Chamera-Kishenpur, Sasaram-Allahabad, LILO of Singrauli-Kanpur and Allahabad Sub-station	4,525.00	4,525.00	4,977.50	5,430.00	5,430.00	5,430.00
b) 9.20% Taxable, Secured, Redeemable ,Non -cumulative , Non-convertible bonds of Rs. 30 million each consisting of 6 STRPPs of Rs 5.00 million each, redeemable at par in 6 (six) equal annual installments w.e.f December 7, 2003 Secured by way of Registered debenture trust Deed ranking pari-passu, on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Guajrat and mortgage & hypothecation on assets of Uri Transmission system	690.00	690.00	1,035.00	1,380.00	1,725.00	2,070.00
	5,215.00	**5,215.00**	**6,012.50**	**6,810.00**	**7,155.00**	**7,500.00**
BONDS XII SERIES						
9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 15 million each consisting of 12 STRPPs of Rs 1.25 million each, redeemable at par in 12 (twelve) equal annual installments w.e.f March 28, 2006. Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage and hypothecation on asset of Kayamkulam & Ramagundam Hyderabad Transmission System	1,537.50	1,537.50	1,691.25	1,845.00	1,845.00	1,845.00
BONDS XIII SERIES						
a) 8.63% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 15 million each consisting of 12 STRPPs of Rs 1.25 million each, redeemable at par in 12 (twelve) equal annual installments w.e.f July 31, 2006. Secured by way of Registered debenture trust Deed ranking	7,425.00	7,425.00	8,100.00	8,100.00	8,100.00	8,100.00

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission System						
b) 7.85% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 15 million each consisting of 06 STRPPs of Rs 2.5 million each, redeemable at par in 6 (six) equal annual installments w.e.f July 31, 2003 Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of NLC Lines Trichy, Neyveli- Bahoor Line,Neyveli-Trichy Transmission System	835.00	835.00	1,252.50	1,670.00	2,087.50	2,505.00
	8,260.00	**8,260.00**	**9,352.50**	**9,770.00**	**10,187.50**	**10,605.00**

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
BONDS XIV SERIES						
6.10% Taxable, Secured Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12 (twelve) equal annual installments w.e.f. July 17, 2004. Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the Company.	5,242.50	5,242.50	5,825.00	6,407.50	6,990.00	
BONDS XV SERIES						
6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of Rs.15.00 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (twelve) equal annual installments w.e.f February, 23, 2008. Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	
BONDS XVI SERIES						
7.10% Taxable, Secured, Redeemable, Non-Convertible,Non-Cumulative Bonds of Rs 10.million each consisting of 10 STRPP's of Rs 1.00 million each redeemable at par in 10 (Ten) equal annual installments w.e.f. February, 18, 2009 Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	7,500.00	7,500.00	7,500.00	7,500.00		
BONDS XVII SERIES						

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
7.39% Taxable,Secered, Redeemable, Non-convertible, Non-cumulative Bonds of Rs 10.00 million each consisting of 10 STRPP's of Rs. 1.00 million each redeemable at par in 10(ten) equal annual installments w.e.f September 22, 2009 Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	10,000.00	10,000.00	10,000.00			
BONDS XVIII SERIES						
8.15% Taxable, Redeemable, Non-Convertible, Non- Cummulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (twelve)equal annual installments w.e.f. Mar 09,. 2010. Secured by way of Registred Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaasd Gujarat and floating charge on the asset of the co.	9,990.00	9,990.00	9,990.00			
BONDS XIX SERIES						
9.25% Taxable, Redeemable, Non-Convertible, Non- Cummulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (twelve)equal annual installments w.e.f. July 24,.2010. Secured by way of Registred Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaasd Gujarat and floating charge on the asset of the company.	4,950.00	4,950.00				

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
BONDS XX SERIES						
8.93% Taxable, Redeemable, Non-Convertible, Non- Cummulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (Twelve) equal annual installments w.e.f. Sept 07, 2010 secured by way of Registred Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaasd Gujarat and floating charge on the asset of the company.	15,000.00	15,000.00				
BONDS XXI SERIES						
8.73% Taxable, Redeemable, Non-Convertible, Non- Cumulative Bonds of Rs. 15.00 million consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f October 11, 2010. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad	5,100.00	5,100.00				

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Gujarat and floating charge on the assets of the company.						
BONDS XXII SERIES						
8.68% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f December 07, 2010. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	6,900.00	6,900.00				
BONDS XXIII SERIES						
9.25% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f Feb 09, 2011. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	3,075.00	3,075.00				
BONDS XXIV SERIES						
9.95% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f Mar 26, 2011. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	7,995.00	7,995.00				

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
BONDS XXV SERIES						
10.10% Taxable, Redeemable, Convertible, Non-Cumulative Bonds of Rs. 15.00 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f June 12, 2011. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company	10,650.00					
	1,19,990.80	**1,09,995.40**	**71,332.75**	**55,025.10**	**50,581.20**	**36,430.20**

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Term Loans from Banks/ Financial Institutions						
(Rate of Interest and repayment Schedule is given in Annexure-IX A)						
Secured by a floating charge on the fixed assets of the company						
Indian Overseas Bank	600.00	600.00	700.00	800.00	900.00	1,000.00
State Bank of India						
Corporation Bank	650.00	650.00	750.00	850.00	950.00	1,000.00
Punjab National Bank-Loan-I	1,200.00	1,200.00	1,400.00	1,600.00	1,800.00	2,000.00
Punjab National Bank-Loan-II	2,250.00	2,250.00	2,500.00	2,750.00	3,000.00	3,000.00
Oriental Bank of Commerce	1,875.00	1,875.00	2,083.33	2,291.67	2,500.00	2,500.00
	6,575.00	**6,575.00**	**7,433.33**	**8,291.67**	**9,150.00**	**9,500.00**
ICICI Bank Ltd. Secured by first pari-passu charge over the assets of the company.	750.00	900.00	1,050.00	1,200.00	1,350.00	1,500.00
Life Insurance Corporation of India (6.3% Term Loan)	5,882.88	5,882.88	6,624.58	7,366.29	8,107.99	
Secured by floating charge on the assets of the company						
Life Insurance Corporation of India			3.33	6.67	16.00	29.33
Secured by equitable mortgage of immovable properties of Kathalguri Transmission System						
Bank of India, Cayman Island	3,353.70	3,693.47	4,021.84	4,175.05	4,431.00	4,783.00
Secured by a Floating charge on the immovable properties of the company						
Loan from International Bank for Reconstruction and Development						
(Guaranteed by Govt. of India) - (Rate of Interest and repayment Schedule is given in Annexure-IX B)						
PSDP I	4,850.69	5,560.40	6,084.99	6,952.99	7,392.41	7,834.49
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system and further guaranteed by Government of India						
PSDP-II	17,375.72	18,945.70	17,505.38	14,018.52	10,831.15	6,233.83
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India						

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
PSDP-III	5,235.80	2,050.31				
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India.						

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Loans from Asian Development Bank						
(Guarantee by Govt. of India & to be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)						
a.. Asian Development Bank-I (1405 - IND)	6,107.84	6,804.04	7,521.20	7,861.33	8,348.62	10,685.26
b. Asian Development Bank -II (1764-IND)	9,639.74	9,697.45	7,883.97	5,119.91	4,325.39	3,130.68
c. Asian Development Bank-III (2152-IND)	2,807.57	2,372.55				
Total Secured Loans	**1,82,569.74**	**1,72,477.20**	**1,29,461.37**	**110017.53**	**1,04533.76**	**80,126.79**

(Rs. in million)

Description	First Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
UNSECURED LOANS						
Loans in Indian Currency(Rate of Interest and repayment Schedule is given in Annexure-IX A)						
Short Term Loans from Banks	7,500.00	7,500.00	5,500.00	5,500.00	0.00	0.00
Term Loans						
Power Finance Corporation Limited	525.00	550.00	650.00	750.00	850.00	950.00
Government of India	495.30	495.30	593.36	665.33	721.11	16,599.80
	1,020.30	**1,045.30**	**1,243.36**	**1,415.33**	**1,571.11**	**17,549.80**
	8,520.30	**8,545.30**	**6,743.36**	**6,915.33**	**1,571.11**	**17,549.80**
Loans in Foreign Currency(Rate of Interest and repayment Schedule is given in Annexure-IX B)						
From Overseas Branches of Indian Banks						
State Bank of India, London	160.47	167.98	458.75	806.91	1,107.33	1,321.57
Bank of Baroda , London			307.26	648.55	953.58	1,180.23
	160.47	**167.98**	**766.01**	**1,455.46**	**2,060.91**	**2,501.80**
From Foreign Banks & Financial Institutions						
Loans Guaranteed by Govt of India						
a. Natexis Banque (Credit National), France	1,226.13	1,306.16	1,279.15	1,363.23	1,316.84	1,257.16
b. Credit Agricole Indosuez (Banque Indosuez)		72.22	202.55	350.75	467.78	574.17
c. Overseas Economic Corporation Fund (JBIC)	1213.87	1,356.38	1,429.82	1,388.86	992.23	471.82
d. European Investment Bank	953.38	1,073.45	1,125.04	1,275.53	1,321.30	1,366.61
e. West Merchant Bank UK & State Bank of India ,London						
f.Syndicated Loan from Industrial Bank of Japan & other						
Japanese Banks/Financial Institutions						
	3,393.38	**3,808.21**	**4,036.56**	**4,378.37**	**4,098.15**	**3,669.76**
Others						
Kreditanstalt Fur Wiederaufbau, Germany	5,974.25	6,465.85	7,159.45	8,607.29	9,094.77	9,318.18

Description	First Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Scandiviska enskilda Banken AP(PUBL)	1,582.82	1,661.96	1,691.77	1,784.68	262.46	
Syndicated Loans from ING Bank,Japan						
Commerz Bank						
	7,557.07	**8,127.81**	**8,851.22**	**10,391.97**	**9,357.23**	**9,318.18**
PENDING FINALISATION OF TRIPARTITE AGREEMENT/BACK TO BACK AGREEMENT AMOUNT PAYABLE TO GOVERNMENT OF INDIA ON ACCOUNT OF						
A NTPC Purchase Consideration						
Syndicated loan from Industrial Bank, Japan	114.96	128.46	402.73	721.78	1,042.62	1,266.50
Total Unsecured Loans	**19,746.18**	**20,777.76**	**20,799.88**	**23,862.91**	**18,130.02**	**34,306.04**

Annexure-IX (A)

INTEREST & REPAYMENT SCHEDULE OF DOMESTIC LOANS

S.N	Description	Loan Outstanding as on June 30, 2007	Date of Repayment of Principal amount	Interest Rate Type	Interest Rate Basis	Other Charges
1	INDIAN OVERSEAS BANK	600.00	10 ANNUAL INSTALMENTS w.e.f February 11, 2004	FLOATING	PLR LESS 2.60%	NIL
2	CORPORATION BANK	650.00	20 H.Y.INSTALMENTS w.e.f March 05, 2004	FLOATING	PLR LESS 3.10%	NIL
3	PUNJAB NATIONAL BANK-I	1,200.00	10 ANNUAL INSTALMENTS w.e.f March 30, 2004	FLOATING	PLR LESS 2.85%	NIL
4	PUNJAB NATIONAL BANK-II	2,250.00	12 ANNUAL INSTALMENTS w.e.f March 08, 2005	FLOATING	PLR LESS 2.90%	NIL
5	ORIENTAL BANK OF COMMERCE	1,875.00	12 ANNUAL INSTALMENTS w.e.f March 22,2005	FLOATING	PLR LESS 2.40%	NIL
6	LIFE INSURANCE CORPORATION OF INDIA	5,882.86	12 ANNUAL INSTALMENTS w.e.f.March 31, 2004	FIXED	6.30%	NIL
7	ICICI BANK LTD.	750.00	10 ANNUAL INSTALMENTS w.e.f June 28, 2003	FIXED	7.32%	NIL
8	POWER FINANCE CORPORATION	525.00	40QUARTERLYINSTALMENTS w.e.f.October 15, 2002	FIXED	9.50%	NIL
9	CANARA BANK(short term working capital loan)	7,500.00	short term working capital loan for one year w.e.f.August 14, 2006	FLOATING	PLR LESS 3.50%	NIL
10	GOI Loans	495.30	Repayable in Annual installments upto Year 2016	FIXED	14%-17%	NIL
	TOTAL	**21,728.16**				

Annexure-IX (B)

INTEREST & REPAYMENT SCHEDULE OF FOREIGN CURRENCY LOANS

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON March 31, 2007	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
		(Rs. in million)				
1	2	3	4	5	6	7
1	BANK OF INDIA, CAYMAN ISLAND	3,353.71	38 SEMI-ANNUAL INSTALLMENTS, STARTING-June 10, 2004, ENDING June 10, 2022	FLOATING	LIBOR + 1.60%	COMM FEE-0.5%
2	PSDP-I	4,850.69	30 SEMI-ANNUAL INSTALLMENTS, STARTING-December 01, 1998, ENDING June 01, 2013	FLOATING	LENDERS BORROWING COST + 0.50% (-) WAIVER OF 0.05%	GOI GUARANTEE FEE-1.00%, COMM. FEE 0.25%
3	PSDP-II	17,375.73	30 SEMI-ANNUAL INSTALLMENTS, STARTING-December 15, 2006, ENDING June 15, 2021	FLOATING	LIBOR + 0.50% (+/-) DIFF. BETWEEN LIBOR & IBRD BORROWING COST (-) WAIVER OF 0.05%	GOI GUARANTEE FEE-1.20%, COMM. FEE 0.25%
4	PSDP-III	5,235.80	30 SEMI-ANNUAL INSTALLMENTS, STARTING-September 15, 2011, ENDING March 15, 2026	FLOATING	LIBOR + 0.75% (+/-) DIFF. BETWEEN LIBOR & IBRD BORROWING COST (-) WAIVER OF 0.25%	GOI GUARANTEE FEE-1.20%, COMM. FEE 0.25%
5	STATE BANK OF INDIA, LONDON	160.47	9 SEMI-ANNUAL INSTALLMENTS, STARTING-August 22, 2003, ENDING August 22, 2007	FIXED	5.03%	0.75% MANAGEMENT FEE
6	NATIXIS (CREDIT NATIONAL), FRANCE	1,226.13	SEMI-ANNUAL INSTALLMENTS FOR EACH TRANCHE, STARTING-September 30, 2004, ENDING Dec. 31st, 2028	FIXED	2.00%	GOI GUARANTEE FEE-1.20%
7	CREDIT AGRICOLE INDOSUEZ (BANQUE INDOSUEZ)	0.00	20 SEMI-ANNUAL INSTALLMENTS, STARTING-October 11, 1997, ENDING April 11, 2007	FIXED	6.85%	GOI GUARANTEE FEE-1.20%

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON March 31, 2007	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
8	ASIAN DEVELOPMENT BANK (1405-IND)	6,107.85	32 SEMI-ANNUAL INSTALLMENTS, STARTING-June 01, 2000, ENDING December 01, 2015	FLOATING	LENDER'S BORROWING COST (-) WAIVER OF 0.20%	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%
9	OVERSEAS ECONOMIC CORPORATION FUND (JBIC)	1,213.87	41 SEMI-ANNUAL INSTALLMENTS, STARTING-February 20, 2007, ENDING February 20, 2027	FIXED	2.30%	GOI GUARANTEE FEE-1.20%, SERVICE CHARGES-0.10%
10A	EUROPEAN INVESTMENT BANK	69.69	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	6.23%	GOI GUARANTEE FEE-1.20%
10B	EUROPEAN INVESTMENT BANK	164.40	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	6.00%	GOI GUARANTEE FEE-1.20%
10C	EUROPEAN INVESTMENT BANK	317.19	26 SEMI-ANNUAL INSTALLMENTS, STARTING- June 15, 2001, ENDING December 15, 2013	FIXED	5.99%	GOI GUARANTEE FEE-1.20%
10D	EUROPEAN INVESTMENT BANK	137.36	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December, 15, 2013	FIXED	5.36%	GOI GUARANTEE FEE-1.20%
10E	EUROPEAN INVESTMENT BANK	222.88	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	5.39%	GOI GUARANTEE FEE-1.20%
10F	EUROPEAN INVESTMENT BANK	41.86	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	5.13%	GOI GUARANTEE FEE-1.20%
	SUB-TOTAL :	**953.38**				
11A	ASIAN DEVELOPMENT BANK (1764-IND)	1,022.94	30 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2006, ENDING December 15, 2020	FLOATING	LENDER'S BORROWING COST (-) WAIVER OF 0.20%	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%, FRONT END FEE-1.00%

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON March 31, 2007	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
11B	ASIAN DEVELOPMENT BANK (1764-IND)	8,616.80	30 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2006, ENDING December 15, 2020	FLOATING	LIBOR + 0.60% (+/-) DIFF. BETWEEN LIBOR & ADB BORROWING COST (-) WAIVER upto 0.20% as determined by ADB from time to time.	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%, FRONT END FEE-1.00%
	SUB-TOTAL :	**9,639.74**				
12	ASIAN DEVELOPMENT BANK (2152-IND)	2,807.56	30 SEMI-ANNUAL INSTALLMENTS, STARTING-January 15, 2010, ENDING July 15, 2024	FLOATING	LIBOR + 0.60% (+/-) DIFF. BETWEEN LIBOR & ADB BORROWING COST (-) WAIVER upto 0.20% as determined by ADB from time to time.	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%
13A	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	782.90	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	5.54029%	0.25% COMM. FEE, 0.25% MGT. FEE
13B	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	4,092.49	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	3.84050%	0.25% COMM. FEE, 0.25% MGT. FEE
13C	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	119.37	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	2.49%	0.25% COMM. FEE, 0.25% MGT. FEE
13D	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	244.52	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FLOATING	LIBOR+1.20%	0.25% COMM. FEE, 0.25% MGT. FEE
13E	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	734.97	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FLOATING	LIBOR+0.36%	0.25% COMM. FEE, 0.25% MGT. FEE
	SUB TOTAL :	**5,974.25**				
14	SCANDIVISKA ENSKILDA BANKEN AB (PUBL)	1,582.82	24 SEMI-ANNUAL INSTALLMENTS, STARTING-September 15, 2005, ENDING March 15, 2017	FLOATING	STIBOR	AGENCY FEE-0.10%, COMM. FEE-0.125%, MGT. FEE-0.375%,EKN PREMIUM-6.49%

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON March 31, 2007	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
15	SYNDICATED LOAN FROM INDUSTRIAL BANK, JAPAN	114.96	10 SEMI-ANNUAL INSTALLMENTS, STARTING March 18, 2003, ENDING September 18, 2007	FIXED	3.085%	LOAN TRANSFERRED THROUGH NTPC
	GRAND TOTAL	**60596.96**				

NOTES :

1. LENDER'S BORROWING COST IS DETERMINED AND DECLARED AT THE DESCRETION OF THE LENDER.
2. COMMITMENT FEE IS LEVIED BY THE LENDER ON THE UNDRAWN AMOUNT OF LOAN
3. SERVICE CHARGE IS LEVIED ON THE LOAN DISBURSED BY JBIC.
4. AGENCY FEE ON SEB LOAN IS IN ADDITION TO INTEREST. IT IS PAYABLE ALONGWITH INTEREST HALF-YEARLY.
5. MANAGEMENT FEE IS A ONE-TIME PAYMENT.
6. GOI G/FEE IS CALCULATED ON DAY-TO-DAY OUTSTANDING LOAN BALANCE.
7. EKN PREMIUM (SEB LOAN) IS A ONE-TIME FEE.

Annexure X(a)

STATEMENT OF REVENUE FROM OPERATIONS

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Revenue from Transmission Charges	9,849.24	36,269.42	31,171.71	25,139.10	23,774.90	20,129.52
Less: Advance Against Depreciation	1,128.75	3,804.27	2,133.61	2,170.87	1,871.39	554.69
	8,720.49	32,465.15	29,038.10	22,968.23	21,903.51	19,574.83
Add: Revenue Recognised out of AAD	3.72	14.86	14.56	0.00	2.64	0.00
	8,724.21	**32,480.01**	**29,052.66**	**22,968.23**	**21,906.15**	**19,574.83**
Income from Short Term Open Access	119.20	387.46	390.83	338.37	0.00	0.00
Consultancy, Project Management and Supervision Fees	597.14	2,259.97	1,549.87	1,279.69	370.79	190.66
Revenue from Telecom	314.12	771.06	374.24	265.37	74.00	82.78
Reimbursement of RLDC Expenses	0.00	0.00	85.80	279.05	279.39	287.17
	9,754.67	**35,898.50**	**31,453.40**	**25,130.71**	**22,630.33**	**20,135.44**

Annexure - X (b)

STATEMENT OF OTHER INCOME

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Dividend on Trade Investments	0.00	12.00	9.60	9.60	0.00	15.80
Interest Income - Bonds and Long Term Advances	384.49	1,732.37	2,204.80	1,786.20	2,650.67	841.55
Interest Income - Banks / Others	117.47	877.41	320.05	417.05	226.31	380.52
Deferred Income (Transfer from Grants-in-Aid)	44.17	176.72	172.62	172.72	163.14	115.64
Operational Charges in respect of Short Term Open Access	44.64	175.94	139.99	113.32	0.00	0.00
Transfer from Insurance Reserve	6.29	0.00	8.61	10.86	9.80	1.61
Lease Income - State Sector ULDCs	131.97	560.83	389.00	470.49	536.74	488.81
Reimbursement from JV Companies	0.00	0.55	0.00	2.19	35.26	0.00
Surcharge	1.45	51.60	195.49	186.18	69.78	1,922.87
Hire Charges for Equipments	0.19	5.33	2.19	3.51	11.80	9.04
Handling and Wheeling charges on sale of Power	0.00	0.00	0.00	0.00	0.00	231.41
Others / Misc. Income	57.05	139.44	133.05	132.54	119.71	139.28
	787.72	**3,732.19**	**3,575.40**	**3,304.66**	**3,823.21**	**4,146.53**
Less: Transfer to Incidental Expenditure during construction	61.53	141.93	165.01	134.95	124.95	219.11
Total	**726.19**	**3,590.26**	**3,410.39**	**3,169.71**	**3,698.26**	**3,927.42**

Annexure-X (c)

STATEMENT OF O&M EXPENDITURE

Description	Quarter Ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Repair & Maintenance						
Buildings	24.83	81.96	78.27	72.56	67.64	60.48
Plant & Machinery						
Sub Station	88.29	838.60	290.61	269.05	239.83	193.73
Transmission lines	15.70	152.52	109.56	129.81	109.83	82.10
Others	31.33	111.07	79.40	71.48	14.94	10.27
TOTAL	**160.15**	**1,184.15**	**557.84**	**542.90**	**432.24**	**346.58**
Power charges	117.24	303.02	364.44	323.79	279.89	239.43
Less: Recovery from contractors	0.42	0.41	0.82	0.86	1.40	0.22
Net Power charges	**116.82**	**302.61**	**363.62**	**322.93**	**278.49**	**239.21**
Stores & spares consumed	0.18	0.06	0.13	0.12	0.11	0.11
Water charges	0.97	4.59	2.38	3.49	1.97	1.77
Right of Way charges(Telecom)	0.08	4.64	1.70	5.35	5.24	5.00
Less: Right of Way charges(Telecom)	0.00	0.00	0.00	2.89	0.00	0.00
Net Right of way charges	**0.08**	**4.64**	**1.70**	**2.46**	**5.24**	**5.00**
Training & Recruitment expenses	3.99	25.84	24.72	38.30	23.25	46.47
Less: Fees for training and application	2.15	5.45	2.98	2.46	3.25	0.00
Net Training & Recruitment expenses	**1.84**	**20.39**	**21.74**	**35.84**	**20.00**	**46.47**
Legal expenses	4.17	25.85	22.07	27.24	8.12	13.36
Professional & Consultancy Expenses(Including TA/DA)	2.89	19.86	18.02	7.70	6.91	7.40
Communication expenses	14.26	49.88	53.70	56.72	53.49	53.08
Travelling & Conveyance Expenses						
Travelling & Conveyance Expenses	65.43	266.09	223.91	162.60	186.03	180.63
Foreign travel	13.27	40.41	43.07	42.85	15.65	16.69
Total travelling and conveyance expenses (net of IEDC)	**78.70**	**306.50**	**266.98**	**205.45**	**201.68**	**197.32**
Tender expenses	2.19	4.28	6.62	6.36	7.22	1.09
Less**:** Sale of tenders	0.90	2.28	4.30	3.96	2.96	2.83
Net Tender expenses	**1.29**	**2.00**	**2.32**	**2.40**	**4.26**	**-1.74**
Remuneration to auditors						
Audit Fees	0.00	0.36	0.73	0.30	0.27	0.29
Tax Audit Fees	0.01	0.11	0.16	0.11	0.09	0.08
In Other Capacity	0.84	0.58	0.83	0.86	0.53	0.36
Out of pocket Expenses	0.31	1.50	1.06	1.62	1.11	0.81
Total Remuneration to auditors (net of IEDC)	**1.16**	**2.55**	**2.78**	**2.89**	**2.00**	**1.54**
Advertisement and publicity	3.87	27.75	29.77	16.47	15.84	10.85

Description	Quarter Ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Printing and stationery	4.91	21.35	20.80	19.23	17.02	15.86
EDP hire and other charges	2.68	9.65	8.30	8.58	6.95	5.31
Entertainment expenses	2.13	7.43	5.79	3.37	5.27	4.50
Brokerage & Commission	0.03	0.39	0.87	0.37	0.39	0.94
Donations	0.00	1.55	0.00	11.04	0.02	0.27
Research & Development expenses	0.03	13.24	9.90	50.29	2.06	1.59
Cost Audit Fees	0.02	0.43	0.34	0.00	0.00	0.00
Rent	9.73	28.56	43.87	34.14	34.31	34.45
Miscellaneous expenses	29.13	126.81	104.44	67.89	60.31	58.81
Security Expenses	51.77	206.52	168.96	149.94	144.58	118.35
Hiring of Vehicle	57.08	214.59	183.89	152.11	136.07	110.39
Insurance	32.59	161.88	133.93	125.66	272.94	218.21
Rates and taxes	36.81	162.50	131.08	124.46	138.77	23.02
Non operating expenses	0.31	10.31	4.58	2.63	4.27	0.57
Transit Accommodation Expenses						
Expenses	3.84	11.25	8.03	7.30	6.04	5.94
Less : Recovery for usage	0.53	1.12	1.08	1.28	0.54	0.42
Net Transit Accommodation Expenses	**3.31**	**10.13**	**6.95**	**6.02**	**5.50**	**5.52**
GRAND TOTAL	**616.91**	**2,926.17**	**2,166.75**	**1,982.34**	**1,858.81**	**1,518.74**
Recoverable from MOP on account of APDRP	-2.32	-9.74	-17.57	-19.15	-22.14	-25.65
Surcharge written off	0.00	0.00	73.13	0.00	0.00	0.00
Loss on Disposal/Write off of Fixed Assets	6.39	1.30	1.23	10.00	12.83	12.32
O&M EXPENDITURE AFTER TRF TO APDRP & LOSS ON WRITE OFF OF FIXED ASSETS	**620.98**	**2,917.73**	**2,223.54**	**1,973.19**	**1,849.50**	**1,505.41**

Annexure-XI

STATEMENT OF TAX SHELTER

(Rs. in million)

	RATE OF TAX / DESCRIPTION	33.99% Quarter ending June 30, 2007	33.66% Fin. Year ending March 31, 2007	33.66% Fin. Year ending March 31, 2006	36.59% Fin. Year ending March 31, 2005	35.88% Fin. Year ending March 31, 2004	36.75% Fin. Year ending March 31, 2003
A	Profit before Tax but after Extraordinary items – as reported	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
	Add : Total adjustments for restatement	17.34	-1,417.13	-575.74	442.53	2,749.54	-155.32
	Less : tax adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
	Profit before Tax but after Extraordinary items – as restated	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**
	a. Gross Transmission Profit	4,866.54	11,679.83	9,953.05	8,220.62	10,596.84	6,979.65
	b. Gross Non Transmission Profit	575.76	1,692.12	1,186.48	1,155.78	9.67	6.51
	Total Profit before tax(a+b)	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**
	c. Tax on Transmission Profit	2,447.38	5,766.35	4,824.44	4,585.00	5,927.99	4,102.04
	d. Tax on Non Transmission Profit	195.70	569.57	399.37	422.90	3.47	2.39
	Total Tax on Book Profit(c+d)	**2,643.08**	**6,335.92**	**5,223.81**	**5,007.90**	**5,931.46**	**4,104.44**
	Adjustments						
B	**Permanent differences**						
	Dividend Exempt u/s 10(33)/10(34)/80M	0.00	12.00	-9.60	-9.60	0.00	0.00
	Interest on Bonds exempt u/s10(15)(l)	-384.48	-1,674.13	-2,587.10	-1,749.89	-4,019.46	496.27
	Donations	0.00	1..55	0.00	11.04	0.00	0.27
	Penalty in respect of liability of license fee to DOT	0.00	0.00	0.00	0.99	0.00	0.00
	Interest under Income Tax Act,1961	0.00	0.00	3.09	5.48	0.00	1.32
	Total Permanent differences(B)	**-384.48**	**-1,660.58**	**-2,593.61**	**-1,741.98**	**-4,019.46**	**497.86**
C							
	Timing Differences						
	Difference between books & Tax depreciation	-5235.50	-10,841.36	-9892.20	-8,738.06	-5,737.29	-8998.37
	Loss on Sale of Fixed assets	6.39	1.30	1.23	10.00	12.83	12.32
	Small Value of assets Debited to P&L Account	0.00	0.00	0.39	1.70	0.26	0.00
	Profit on Sale of Fixed Assets	-0.02	-0.49	-0.16	-0.09	-0.17	-0.38
	Amount Inadmissible U/S 36(1)(iii)-(Tehri)	0.00	0.00	225.91	0.00	0.00	0.00
	Provisions Written Back	28.47	-1,306.94	648.31	643.42	-1,213.26	1,176.05
	IDC/IEDC	61.53	141.93	165.01	134.95	124.95	218.82
	Tax, duty & other sums U/S 43B	0.00	0.00	29.21	182.54	120.37	68.08
	Capital Recovery for State Sector Leased assets	125.48	470.91	449.00	303.84	268.40	155.10
	Transferred from Grants in aid	-44.17	-176.72	-172.62	-172.72	-163.14	-115.64
	Total Timing Differences	**-5057.82**	**-11,711.37**	**-8,545.92**	**-7,634.42**	**-6,587.05**	**-7484.02**
D	Net adjustment (B+C)	-5442.30	-13,371.95	-11,139.53	-9,376.40	-10,606.51	-6986.16
	Net Taxable Income	0.00	0.00	0.00	0.00	0.00	0.00
E	Tax Saving Thereon						
	Transmission Income	2,447.38	5,766.35	4,824.44	4,585.00	5,927.99	4,102.04
	Non Transmission Income	195.70	569.57	399.37	422.90	3.47	2.39
	Total	**2,643.08**	**6,335.92**	**5,223.81**	**5,007.90**	**5,931.46**	**4,104.44**
F	Tax as per Return of Income	-	-	-	-	-	-

Notes :

1 In line with Power Tariff agreements, tax liability on transmission income is pass through to beneficiaries

2 Tax on Transmission Profit has been worked out by grossing up the tax rates since tax is pass through to beneficiaries except for NER where tax is not pass though.

Annexure-XII

STATEMENT OF LOANS & ADVANCES

(Rs. in million)

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
a) Loans to						
Employees	844.92	861.43	959.03	1,059.38	1,133.59	1,170.18
Long Term Advances(Under securitisation scheme)	1,465.40	1,542.53	1,542.53	1,542.53	1,542.53	1,542.53
Others	6.41	0.72	1.31	4.91	1.09	1.08
Sub-total	**2,316.73**	**2,404.68**	**2,502.87**	**2,606.82**	**2,677.21**	**2,713.79**
b) Principal Amount of Deposit recoverable in Canfina matter			630.21	630.21	630.21	630.21
Interest recoverable on the above matters			572.83	532.09	491.35	450.61
Sub-total			**1,203.04**	**1,162.30**	**1,121.56**	**1,080.82**
c) Lease Receivables(State sector ULDC)	7,972.38	8,221.18	9,000.53	6,750.58	6,960.69	6,994.82
d) Advances						
Advances recoverable in cash or in kind or for value to be received						
Contractors & Suppliers	200.58	62.46	110.96	10.32	17.81	27.66
(Including Material issued on loan)						
Employees	105.09	80.71	79.71	79.14	91.17	97.96
Claims recoverable	40.32	40.62	34.37	35.66	36.63	38.75
Others	939.61	667.78	835.93	766.72	557.63	508.61
Sub-total	**1,285.60**	**851.57**	**1,060.97**	**891.84**	**703.24**	**672.98**
Less: Provision for bad and doubtful Advances and Claims	79.75	80.10	54.64	43.19	33.95	32.85
Sub-total	**1,205.85**	**771.47**	**1,006.33**	**848.65**	**669.29**	**640.13**
Balance with Customs, Port Trust and other authorities	225.88	206.44	172.14	183.43	149.91	56.57
Advance Tax & TDS	3,649.86	3,308.84	2,055.67	1,703.01	1,729.95	1,361.58
Sub-total	**5,081.59**	**4,286.75**	**3,234.14**	**2,735.09**	**2,549.15**	**2,058.28**
TOTAL	**15,370.70**	**14,912.61**	**15,940.58**	**13,254.79**	**13,308.61**	**12,847.71**

Annexure-XII

STATEMENT OF SUNDRY DEBTORS

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Debts Outstanding exceeding Six Months						
Considered Good	1,249.61	191.83	38.84	3,233.66	3,572.44,	7,770.38
Unsecured Considered Doubtful	765.52	793.69	791.79	979.12	392.89	1,091.34
	2,015.13	**985.52**	**830.63**	**4,212.78**	**3,965.33**	**8,861.72**
Others						
Considered Good	4,001.36	4,712.92	3,217.19	1,273.38	1,281.61	8,679.69
Unsecured Considered Doubtful			9.10			290.72
	4,001.36	4,712.92	3,226.29	1,273.38	1,281.61	8,970.41
	6,016.49	**5698.44**	**4,056.92**	**5,486.16**	**5,246.94**	**17,832.13**
Less: Provision for bad & doubtful debts	765.52	793.69	800.88	979.16	392.86	1,382.02
Total	**5,250.97**	**4,904.75**	**3,256.04**	**4,507.00**	**4,854.08**	**16,450.11**
Adjustment on account of Restatement	0.00	(-) 0.75	1,147.41	1,206.38	-76.79	-13,868.14
(Restatement on account of allotment of bonds under securitisation scheme with retrospective impact and tariff adjustments.)						
Sundry Debtors- As Restated	**5,250.97**	**4,904.00**	**4,403.45**	**5,713.38**	**4,777.29**	**2,581.97**

Annexure - XIV

STATEMENT OF INVESTMENTS

(Rs. in million)

Description	Quarter Ending June 30,June	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
LONG TERM						
A.TRADE INVESTMENTS						
I. Govt.Securities (Unquoted):-						
a) 8.5% tax free Bonds redeemable in 20 half yearly installments w.e.f. 1.10.2006 of :						
Andhra Pradesh	1,624.68	1,624.68	1,805.20	1,805.20	1,805.20	1,805.20
Arunachal Pradesh	46.98	46.98	52.20	52.20	52.20	52.20
Assam	1,510.20	1,510.20	1,678.00	1,678.00	1,678.00	1,678.00
Bihar	1,459.26	1,459.26	1,621.40	1,621.40	1,621.40	1,621.40
Gujarat	630.36	630.36	700.40	700.40	700.40	700.40
Haryana	724.50	724.50	805.00	805.00	805.00	805.00
Himachal Pradesh	25.47	25.47	28.30	28.30	28.30	28.30
Jammu & Kashmir	1,457.78	1,457.78	1,619.76	1,619.76	1,619.76	1,619.76
Karnataka	0.00	213.84	237.60	237.60	237.60	237.60
Less: bonds payable to NLC	0.00	12.62	13.29	13.29	13.29	13.29
	0.00	**201.22**	**224.31**	**224.31**	**224.31**	**224.31**
Kerala	216.99	216.99	241.10	241.10	241.10	241.10
Madhya Pradesh	936.54	936.54	1040.60	1040.60	1040.60	1040.60
Maharashtra	121.23	121.23	134.70	134.70	134.70	134.70
Manipur	285.30	285.30	317.00	317.00	317.00	317.00
Meghalaya	3.89	3.89	4.32	4.32	4.32	4.32
Mizoram	0.18	0.18	0.20	0.20	0.20	0.20
Nagaland	125.37	125.37	139.30	139.30	139.30	139.30
Punjab	422.46	422.46	469.40	469.40	469.40	469.40
Rajasthan	130.80	196.20	218.00	218.00	218.00	218.00
Sikkim	101.43	101.43	112.70	112.70	112.70	112.70
Tamil Nadu	0.00	315.27	350.30	350.30	350.30	350.30
Tripura	8.19	8.19	9.10	9.10	9.10	9.10
Uttar Pradesh	4,153.14	4,153.14	4,614.60	4,614.60	4,614.60	4,614.60
Uttaranchal	461.43	461.43	512.70	512.70	512.70	512.70
West Bengal	724.41	724.41	804.90	804.90	804.90	804.90
Jharkhand	1,003.58	1,003.58	1,115.09	1,115.09	1,115.09	1,115.09
	16,174.17	**16,756.06**	**18,618.58**	**18,618.58**	**18,618.58**	**18,618.58**
b) Other Bonds:-						

7 years 12.25% PSEB Bonds, Ist Tranche, Interest payable Annually, bonds of Rs. 0.50 million each redeemable w.e.f . 18.12.2006	0.00	0.00	21.00	21.00	21.00	21.00
7 years 12.25% PSEB Bonds, IInd Tranche, Interest payable Annually, Bonds of Rs 0.50 million each redeemable w.e.f . 01.03.2007	0.00	0.00	76.50	76.50	76.50	76.50
15 years 8.5% J&K Govt. Bonds 2017/2018, Interest payable semi-annually	499.50	499.50	499.50	499.50	499.50	
	499.50	**499.50**	**597.00**	**597.00**	**597.00**	**97.50**
II. Equity Shares-Fully Paid up :-						
Quoted						
12,000,006(Previous year 12,000,006) Shares of Rs.10/- each of PTC India Ltd.	120.00	120.00	120.00	120.00	120.00	120.00
Market Value : As at June 30, 2007 Rs. 768.60 million. As at 31 March, 2007 Rs.714.60 million						
As at 31 March, 2006 Rs. 709.20 million						
As at 31 March,2005,Rs. 576.10 million						
Unquoted						
Subsidiary Company						
50,000 (Previous Year 50,000) shares of Rs 10/- each of Parbati Koldam Transmission Company Ltd. (Formerly Bina Dehgam Transmission Company Ltd)	0.50	0.50	0.50	0.50	0.50	0.50
50,000 Equity shares of Rs. 10/ each in Byrnihat Transmission Co. Ltd	0.50	0.50				
Joint Venture Companies						
13,000 Equity Shares of Rs. 10/ each In Torrent Power Grid Ltd.(Formerly Torrent Power Transmission Pvt. Ltd)	0.13	0.13				
13,000 Equity Shares of Rs. 10/ each In Jaypee Powergrid Ltd.	0.13	0.13				
Others						
229320000 (Previous year 205800000) shares of Rs 10/- each of Powerlinks Transmission Ltd	2,293.20	2,293.20	2,058.00	955.99	643.13	0.50
	2,414.46	**2,414.46**	**2,178.50**	**1,076.49**	**763.63**	**121.00**
TOTAL (A)	**19,088.13**	**19,670.02**	**21,394.08**	**20,292.07**	**19,979.21**	**18,837.08**
B. Non-trade investments (Unquoted)						
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Itarsi (Rs.5000/-)	0.01	0.01	0.01	0.01	0.01	0.01
500 Fully paid up shares of Rs 10/- each in EmployeesCo-op Society Limited Nagpur (Rs.5000/-)	0.01	0.01	0.01	0.01	0.01	0.01
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Jabalpur (Rs. 5000/-)	0.01	0.01	0.01	0.01	0.01	0.01
TOTAL (B)	**0.03**	**0.03**	**0.03**	**0.03**	**0.03**	**0.03**

GRAND TOTAL (A+B)	**19,088.16**	**19,670.05**	**21,394.11**	**20,292.10**	**19,979.24**	**18,837.11**

***** The terms and condition are subject to the recommendations of Expert Committee of Government of India on securitization of SEB dues.

Note :
229,319,997 shares (Previous year 205,799,997) of Powerlinks Transmission Ltd. held by the Company have been pledged as continuous security with financial institutions against financial assistance obtained by Powerlinks Transmission Ltd.

Annexure - XV

STATEMENT OF SHARE CAPITAL

(Rs. in million)

Description	Quarter Ending June 30,2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Equity Share Capital	38,262.19	37,874.07	35,846.29	31,652.49	30,352.49	30,352.49
Share Capital Deposit	0.00	388.12	388.12	388.12	388.12	388.12
Total Share Capital	**38,262.19**	**38,262.19**	**36,234.41**	**32,040.61**	**30,740.61**	**30,740.61**
Face value (Rs)	10	10	10	10	10	10
Nos.	3,826,219,300	3,787,407,300	3,584,628,600	3,165,248,600	3,035,248,600	3,035,248,600

Note :- Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during the financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated for earlier years

Annexure-XVI

RELATED PARTY TRANSACTIONS

(Rs. in million)

		Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
1)	**Joint Ventures:**						
a)	PTC India Limited						
	Investment in equity shares	NIL	NIL	NIL	NIL	NIL	NIL
	Cumulative Investment	120	120	120	120	120	120
b)	Powerlinks Transmission Ltd						
	Investment in equity shares	NIL	235.2	1,102.01	312.87	642.62	NIL
	Cumulative Investment	2,293.20	2,293.20	2,058.00	955.99	643.12	0.5
	Reimbursement of Expenses	NIL	1.6	NIL	2.3	58.1	
	Income from Consultancy Services	NIL	10.1	116.7			
c)	Torrent Power Grid Limited (formerly Torrent Power Transmission Private Limited)						
	Investment in equity shares	NIL	0.13	NA	NA	NA	NA
	Cumulative Investment	0.13	0.13	NA	NA	NA	NA
d)	Jaypee Powergrid Limited						
	Investment in equity shares	NIL	0.13	NA	NA	NA	NA
	Cumulative Investment	0.13	0.13	NA	NA	NA	NA
	Consultancy Agreements with the JV	8.00	9.5	NA	NA	NA	NA
	Advance Received	3.20	3.2	NA	NA	NA	NA
2)	**Subsidiary:**						
a)	Parbati Koldam Transmission Ltd						
	Investment in equity shares						
	Cumulative Investment	0.5	0.5	0.5	0.5	0.5	0.5
	Outstanding Balance at the end of the year	0.07	0.07	0.06	0.05	0.04	NIL
	Certificate of Commencement of Business not yet received						
b)	Brynihat Transmission Comapany Ltd						
	Investment in equity shares						
	Subscribed	0.5	0.5	0.5	NIL	NIL	NIL
	Paid up	0.5	0.5	NIL	NIL	NIL	NIL
	Outstanding Balance at the end of the year	0.04	0.04	0.02	NIL	NIL	NIL
	Certificate of Commencement of Business not yet received						

(Rs. in million)

		Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
3)	**Directors**						
	Chairman and Managing Director	Dr. R.P. Singh	Dr. R.P. Singh	Sh. R.P Singh	Sh. R.P Singh	Sh. R.P Singh	Sh. R.P Singh
	Director (Projects)	Sh. S. Majumdar	Sh. S. Majumdar	Sh. S. Majumdar *	Sh. S.C Misra *	Sh. S.C Misra	Sh. S.C Misra

(Rs. in million)

		Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
	Director (Personnel)		Sh. U.C. Misra *	Sh. U.C. Misra	Sh. U.C. Misra	Sh. U.C. Misra	Sh. A.I Bunet*
							Sh.U.C Misra**
	Director (Operations)		Sh.J.Haque**	Sh.J Haque	Sh.J Haque**	Sh.Bhanu Bhushan	Sh.Bhanu Bhushan
	Director (Finance)	Sh.J.Sridharan	Sh.J.Sridharan	Dr. V.K Garg**	Dr. V.K Garg	Dr. V.K Garg	Dr. V.K Garg
				Sh.J.Sridharan***			
	Government Director					Sh.A.k. Kutty	Sh.A.k. Kutty
	Government Director					Sh. M.Sahoo	Sh. M.Sahoo
	Government Director					Sh.Shashi Shekhar	Sh.shashi Shekhar***
	Government Director					Sh. G.B. Pradhan	Sh. P.I. Suvrathan
	Government Director						Sh.R.Ramanujam
	Government Director						Sh.V.V.R.K.Rao
			*Left POWERGRID on 25th January,2007	*Assumed charge on 27th September,2005	*superannuated on 28th February,2005		*Left POWERGRID on 31st July,2002
			9				
			** Superannuated on 31st January,2007	** Left POWERGRID on 11th May,2005	** Assumed charge w.e.f 16th September,2004		** Assumed charge on 1st August,2002
				*** Assumed charge on 21st December,2005			*** from 17th June,2003 to 6th October,2003

Remuneration to whole time Directors including Chairman & Managing Director excluding arrears paid to ex-directors are as follows:

(Rs. in million)

		Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A	Salaries and Allowances	0.77	4.3	2.7	3.6	3.3	2.9
	Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.06	0.5	0.3	0.3	0.4	0.3
	Other benefits	0.09	2.3	1.5	1.5	1.7	2
	In addition to the above remuneration, the Whole time Directors have been allowed to use the staff car (including for private journeys) on payment of Rs. 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dated November 29, 1						
B	Advances due from whole time Directors including Chairman and Managing Director	0.4	0.4	0.5	0.3	0.3	0.5
C	**Presence of non-official part time Directors & Payment of sitting fee**						
	Presence of non-official part time Directors	NIL	NIL	NIL	NIL	NIL	NIL
	Payment of sitting fee	NIL	NIL	NIL	NIL	NIL	NIL

Annexure - XVII

SEGMENT REPORTING – AS RESTATED

(Rs. in million)

	Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
A.	Segment Revenue						
	- Transmission	9,113.31	34,756.91	30,585.58	25,971.31	28,824.03	23,985.31
	- Consultancy	599.70	2,263.48	1,555.78	1,282.71	369.73	148.41
	- ULDC/RLDC	483.77	1,932.61	1,750.48	1,536.33	1,712.52	1,257.22
	- Telecom	314.75	773.02	376.48	268.62	74.90	83.77
	Total Income	**10,511.53**	**39,726.02**	**34,268.32**	**29,058.97**	**30,981.18**	**25,474.71**
B.	Segment Results						
	Profit (before interest and tax)						
	- Transmission	5,879.50	22,241.22	18,852.22	15,792.37	19,422.90	13,155.17
	- Consultancy	381.93	1,574.99	1,193.92	1,030.70	228.43	46.53
	- ULDC/RLDC	217.64	997.24	787.52	771.31	938.71	795.73
	- Telecom	90.92	-37.28	-219.58	-131.14	-73.93	-7.23
	TOTAL	**6,569.99**	**24,776.17**	**20,614.08**	**17,463.24**	**20,516.11**	**13,990.20**
	Less : Interest and Finance charges	1,127.69	11,404.22	9,474.55	8,086.84	9,909.60	7,004.04
	Total Profit Before Tax (*)	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**
C.	Segment Capital Employed						
	-Transmission	282,945.97	270,871.23	214,744.81	190,819.38	174,272.97	156,693.58
	- Consultancy (including APDRP)	-6,455.80	-8,982.07	-6,557.05	-5,127.47	-2,735.74	-85.14
	- ULDC/RLDC	13,705.43	13,817.18	14,614.75	11,874.47	11,547.93	12,144.92
	- Telecom	7,176.38	7,545.41	7,522.97	7,404.47	5,513.02	2,819.88
	Total Segment Capital Employed	**297,371.98**	**283,251.75**	**230,325.48**	**204,970.85**	**188,598.18**	**171,573.24**
	(*)						
	Profit before Tax but after Extraordinary items – as reported	**5,424.96**	**14,820.03**	**11,690.03**	**9,083.75**	**7,142.95**	**7,518.44**
	Add : Total adjustments for restatement	17.34	-1,417.13	-575.74	442.53	2,749.54	-155.32
	Less : tax adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96
	Profit before Tax but after Extraordinary items – as restated	**5,442.30**	**13,371.95**	**11,139.53**	**9,376.40**	**10,606.51**	**6,986.16**

Annexure-XVIII

CONTINGENT LIABILITIES

(Rs. in million)

Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003
Claims against the Company not acknowledged as debt in respect of						
Arbitration / Court Cases	2,016.52	2,051.79	11088.60	9230.80	5422.30	4487.90
Land / Crop/Tree Compensation cases	4,739.42	4,534.95	2474.10	2582.40	3470.00	3539.10
Others	270.84	255.41	1895.40	2331.70	2144.00	2345.60
Disputed Tax Demands-Income Tax	402.49	402.49	541.00	814.50	65.90	7.30
Disputed Tax Demands-Others	1,761.33	1,691.22	1279.60	1271.40	1256.20	972.60
Continuity Bonds with Custom Authorities	8,207.30	9,815.40	9435.40	7753.80	9086.50	12289.00
Others	1,037.06	752.58	1404.00	465.50	1553.50	1133.60
Total	**18,434.96**	**1,9503.84**	**28118.10**	**24450.10**	**22998.40**	**24775.10**

AUDITORS' REPORT

The Board of Directors
Parbati Koldam Transmission Company Limited
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi 110016

We have examined the financial information of **Parbati Koldam Transmission Company Limited** which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended upto October 18, 2006 ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Red Herring Prospectus / Prospectus being issued by the Power Grid Corporation of India Limited (Holding Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

The preparation and presentation of this financial information is the responsibility of Company's management. This financial information is proposed to be included in the offer document in connection with the proposed Initial Public Issue of Equity Shares of Power Grid Corporation of India Limited.

A. Financial Information as per the audited financial statements

We have examined the attached Statement of Assets and Liabilities, as restated, of the Company as at March 31, 2007, March 31, 2006 and March 31, 2005 (Audited by us), March 31, 2004 and March 31, 2003 (Audited by M/s.Tiwari & Associates) (Annexure I)

These financial statements have been approved/ adopted by the Board of Directors in the respective years.

We have performed such tests and procedures, which in our opinion, were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached financial information with the Company's audited financial statements for the years 2002-2003 to 2006-2007.

Based on our examination of these financial Statements, we confirm that:

1. There are no qualifications in the auditors' reports for the above period
2. The Company is not in operation and there are no transactions which require restatement as per paragraph 6.10.2.7 of the Guidelines.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus / Prospectus in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

For Anil Khandelwal & Associates
Chartered Accountants

(Anil Khandelwal)
Partner
M.No.-087372
Place: New Delhi,
Dated: August 18, 2007

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

B-9, QUTAB INSTITUTIONAL AREA, KATWARIA SARAI,NEW DELHI-110016

SUMMARY OF ASSETS & LIABILITES - AS RESTATED

(Amount in Rs.)

Description		Fin. Year ending March 31, 2007		Fin. Year ending March 31, 2006		Fin. Year ending March 31, 2005		Fin. Year ending March 31, 2004		Fin. Year ending March 31, 2003
A Current Assets,Loans & Advances:										
Current Assets										
Cash & Bank Balances										
Balance with Scheduled Bank-in Current Account		477503		488795		500000		500000		500000
		477503		**488795**		**500000**		**500000**		**500000**
B Miscellaneous Expenditure (to the extent not written off or adjusted)										
Preliminary Expenses		26700		26700		26700		26700		26700
Pre-operative Exp.										
Balance as at Beginning of the Year	54706		34485		22865		10800		0	
Allocation during the Period/Year Audit Fee	19654		11224		11020		10800		10800	
Filing Fee	600		2200		600		1200			
Others	1208		6797				65			
		76168		54706		34485		22865		10800
		102868		**81406**		**61185**		**49565**		**37500**
Total Assets (A+B)		**580371**		**570201**		**561185**		**549565**		**537500**
C Liabilities & Provisions										
Current Liabilities & Provisions										
Current Liabilities										
Power Grid Corp. of India Ltd.	69135		58977		50165		38765		26700	
Audit Fees	11236		11224		11020		10800		10800	
		80371		70201		61185		49565		37500
		80371		**70201**		**61185**		**49565**		**37500**
Total Liabilities		**80371**		**70201**		**61185**		**49565**		**37500**
Net Assets (A+B-C)		**500000**		**500000**		**500000**		**500000**		**500000**
Represented By										
Share Capital		500000		500000		500000		500000		500000
		500000		**500000**		**500000**		**500000**		**500000**
Significant Accounting Policies and Notes forming part of Accounts	**Schedule 1**									

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

SCHEDULE '1'

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements
The Company maintains its accounts on accrual basis following the historical cost convention.

B) NOTES FORMING PART OF ACCOUNTS

1. The company is governed by the Electricity Act, 2003 and that the said Act read with rules framed there-under have prevailed wherever the same were inconsistent with the Companies Act, 1956.

2. The certificate of commencement of business has not been obtained so far. As there were no commercial activities during the year, no profit and loss account has been prepared.

3. 49,994 equity shares of Rs. 10/- each are held by the holding company, Power Grid Corporation of India Ltd. Balance 6 shares are held in the name of the officers of POWERGRID as its nominees.

4. There are no contingent liabilities.

5. **a.** All figures have been rounded off to the nearest rupee.
b. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our Report of even date

For Anil Khandelwal & Associates
Chartered Accountants

(Anil Khandelwal)
(Partner)
M.No.-087372

Place : New Delhi.
Date : August 18, 2007

AUDITORS' REPORT

The Board of Directors
Byrnihat Transmission Company Limited
B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi 110016

We have examined the financial information of **Byrnihat Transmission Company Limited** which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended upto October 18, 2006 ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Red Herring Prospectus / Prospectus being issued by the Power Grid Corporation of India Limited (Holding Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

The preparation and presentation of this financial information is the responsibility of Company's management. This financial information is proposed to be included in the offer document in connection with the proposed Initial Public Issue of Equity Shares of Power Grid Corporation of India Limited.

A. Financial Information as per the audited financial statements

We have examined the attached Statement of Assets and Liabilities, as restated of the Company as at - March 31, 2007 (Audited by us).

This financial statement has already been approved/ adopted by the Board of Directors.

We have performed such tests and procedures, which in our opinion, were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached financial information with the Company's audited financial statement for the period ended March 31, 2007.

Based on our examination of this financial Statement, we confirm that:

1. There are no qualifications in the auditors' reports for the above period
2. The Company is not in operation and there are no transactions which require restatement as per paragraph 6.10.2.7 of the Guidelines.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus / Prospectus in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

For N.K.S. Chauhan & Associates

Chartered Accountants

(N.K.S. Chauhan)
Partner
M. No.88165

Place: New Delhi
Dated: August 18, 2007

BYRNIHAT TRANSMISSION COMPANY LIMITED
B-9, QUTAB INSTITUTIONAL AREA, KATWARIA SARAI,NEW DELHI-110016

SUMMARY OF ASSETS & LIABILITES - AS RESTATED

(Amount in Rs.)

Description		As At March 31, 2007
A Current Assets,Loans & Advances:		
Current Assets		
Cash & Bank Balances		
Balance with Scheduled Bank-in Current Account		499200
		499200
B Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Preliminary Expenses		
Professional Fee to practicing Company Secretary	13555	
Filing Fee	20000	33555
Pre-operative Exp.		
Audit Fees	19654	
Others	1300	
		20954
		54509
Total Assets (A+B)		**553709**
C Liabilities & Provisions		
Current Liabilities & Provisions		
Current Liabilities		Nil
Power Grid Corporation of India Ltd.	41973	
Audit Fee	11236	
Other Liabilities	500	53709
		53709
Total Liabilities		**500000**
Net Assets (A+B-C)		**500000**
Represented By		
Share Capital		**500000**
		500000
Significant Accounting Policies and Notes forming part of Accounts	Schedule - 1	

BYRNIHAT TRANSMISSION COMPANY LIMITED

SCHEDULE - FORMING PART OF ACCOUNTS

SCHEDULE '1'

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

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

B) NOTES FORMING PART OF ACCOUNTS

1. The company was incorporated on March 23, 2006 and certificate of commencement of business has not been obtained so far. As there were no commercial activities during the Period, no profit and loss account has been prepared.

2. The company is governed by the Electricity Act, 2003 and that the said Act read with rules framed there-under have prevailed wherever the same were inconsistent with the Companies Act, 1953.

3. 49,994 equity shares of Rs.10/- each have been subscribed by the holding company, Power Grid Corporation of India Ltd. Balance 6 shares are subscribed in the name of the officers of POWERGRID as its nominees.

4. The expenditure incurred during the period Rs. 20,954/- has been allocated to Preoperative Expenditure shown under the head "Misc. Expenditure". The detail of expenditure incurred during the year is given below:

Particulars	As at March 31, 07
Bank Charges	800
Provision for Stamp Duty	500
Payment to St. Auditors - Audit Fee (Period from March 23, 2006 to March 31, 2007)	11236
Payments to St. Auditors - Other Capacity	8418
TOTAL	**20954**

5. There are no contingent liabilities.

6. Since these accounts are for the first accounting year of the Company, no comparative figures for previous year are given.

7. **a.** All figures have been rounded off to the nearest rupee.
b. Previous year's figures have been regrouped/ rearranged wherever necessary.

As per our Report of even date

For N.K.S. Chauhan & Associates
Chartered Accountants

(N.K.S.Chauhan)
(Partner)

Place : New Delhi.
Date : August 18, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated financial statements included in this Red Herring Prospectus. You should also read the section entitled "Risk Factors" beginning on page xi of this Red Herring Prospectus, which discusses a number of factors and contingencies that could affect our financial condition and results of operations. The following discussion relates to our Company, and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. Portions of the following discussion are also based on internally prepared statistical information and on other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

OVERVIEW

We are India's principal electric power transmission company. We own and operate most of India's interstate and inter-regional electric power transmission system (the "ISTS"). In that capacity, as at June 30, 2007 we owned and operated 61,875 circuit kilometres of electrical transmission lines and 106 electrical substations. In Fiscal 2007, we transmitted approximately 298 billion units of electricity, representing approximately 45% of all the power generated in India *(Source: CEA Website, March 2007*).

We commenced our operations in Fiscal 1992 as part of an initiative of the Government of India to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us over the following years. For more details of our history, please refer to the section entitled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

We have since completed 101 transmission projects and schemes on our own, valued in the aggregate at approximately Rs. 251.81 billion. As at June 30, 2007, we had 45 transmission projects in various stages of implementation. Subject to government approvals, we plan to spend Rs. 550 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,000 MW, which would include our transmission system and others. The tariffs for our transmission projects are determined by CERC, pursuant to Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

We have also been entrusted by the GoI with the statutory role of Central Transmission Utility ("CTU"). In this role, we operate as one of the chief agencies responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate the provision to customers of non-discriminatory open access to available capacity in interstate and inter-regional transmission networks, including our own.

A crucial aspect of the operation of an electric power system is the management of the power flow in real time ("load despatch") with reliability and security on a sound commercial and economical basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("RLDCs") in each of the five regions into which India is divided for purposes of power transmission and regulation. As RLDC operator, we have modernised the regional and state load despatch centres and their communication networks, down to the level of individual substations. We undertook and completed this work under our ULDC ("Unified Load Despatch and Communication") Project. In order to optimise the monitoring and despatch of electricity flows at the national level, we are currently establishing a National Load Despatch Centre ("NLDC"), which we expect to complete

in 2008. Presently, we are managing the National Grid with inter regional capacity of 14,100 MW, which shall be enhanced to more than 37,000 MW by 2012 *(Source: CEA Website, March 2007*).

We have taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. We developed the 2,000 MW Tala Transmission Project through a joint venture company (Powerlinks Transmission Limited) with 49% shareholding by us and 51% shareholding by The Tata Power Company Limited. We currently hold a 26% equity stake in Torrent Powergrid Limited and a 20.63% equity stake in Jaypee Powergrid Limited both of which are public-private joint ventures established for the development of dedicated private transmission lines. Our respective partners in these ventures are Torrent Power Limited and Jaiprakash Hydro-Power Limited.

Leveraging on our strengths, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to more than 90 clients in over 225 domestic and international projects. In our consultancy role, we also facilitate the implementation of various GoI-funded projects for the distribution of electricity to end-users, such as the Accelerated Power Development and Reform Programme ("APDRP") in urban and semi-urban areas and the Rajiv Gandhi Grameen Vidhyutikaran Yojana (the "RGGVY") in rural areas.

We have also diversified into the telecommunications business, by creating a telecommunications network principally using our overhead transmission infrastructure. We own and operate a fibre-optic cable network that as at June 30, 2007 was over 19,000 kilometres long and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.

In Fiscal 2007 we generated a total income of Rs. 40,823.09 million and profit after tax of Rs. 10,876.58 million. In Fiscal 2007, transmission and transmission-related activities constituted 80.51% of our, total income, with the balance coming from our consulting, telecommunication businesses and other incomes. In the three months ended June 30, 2007, we generated a total income of Rs.10,509.33 million and profit after tax of Rs. 4,539.15 million. Our transmission and transmission related activities constituted 84.15% of our total income for the quarter ended June 30, 2007.

We have been designated a Mini-Ratna Category-I public sector undertaking since October 1998, which provides us with a greater delegation of powers to undertake new projects without Government approval, subject to an investment ceiling set by the Government. We have received the highest annual performance rating from the GoI in each year since Fiscal 1994, and the Prime Minister's award for performance for six out of the seven years to Fiscal 2006, (award winners for 2007 have not yet been determined). We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems.

The President of India, acting through nominees, currently holds 100% of the issued and paid-up equity capital of our Company. After the Issue, the President of India will continue to hold 86.36% of the diluted post-Issue paid-up equity capital of our Company. The GoI has the power to appoint all of our Directors.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff norms

The amounts we can charge our transmission customers are governed by tariffs norms determined by the Central Electricity Regulatory Commission ("CERC") pursuant to central government tariff policy and legislation. Tariffs may change every five years, but generally not more frequently than that. Particular tariffs are determined in relation to particular transmission projects, and we pool our tariffs

on a region-wide basis for billing purposes. Under the current tariff regulations, we are permitted to charge our customers fixed annual transmission charges ("ATC") which include components for return on equity, interest on outstanding debt, depreciation, advance against depreciation, operation and maintenance expenditure and interest on working capital. In addition, tariffs allow us to recover income tax we pay with respect to our transmission business and foreign exchange rate variation ("FERV") in respect of our foreign currency loans. We are also provided with an incentive if the availability of our transmission network is above 98% in respect of alternating current systems and above 95% in respect of HVDC systems, and penalized if the availability of our network is below 98% or 95%, respectively. The present tariff norms prescribed by CERC are applicable to all the tariffs we are awarded during the period from April 1, 2004 until March 31, 2009.

Growth of the power sector

Our financial results and prospects are significantly affected by general economic conditions prevailing in India, and in particular by developments in the power sector. India's GDP has grown at an annual average rate of approximately 6% over the period from Fiscal 2000 to Fiscal 2005. According to the Macroeconomic and Monetary Developments First Quarter Review 2007-08 prepared by the Reserve Bank of India, for Fiscal 2006, India had a GDP growth rate of 9.0%. The latest estimates released by the Central Statistical Organisation in May 2007 revised real GDP growth upwards to 9.4% during Fiscal 2007. Power is a critical sector for the economic development of the country. According to estimates made by the Centre for Monitoring the Indian Economy, Indian electricity-GDP elasticity during Fiscal 1991 to Fiscal 2000 was about 1.2 to 1; implying that a growth rate of 12% was necessary in the power sector for our economy to grow at 10%.

India's economic growth translates into a large amount of investment required in power sector development. The GoI follows a system of issuing successive Five Year Plans that set targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased targets for additional power transmission capacity. The goal in the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 37,800 MW, which would include our transmission system and others.

Availability of funding

We have a strong financial position, which we believe will help us finance our infrastructure expansion plans in the coming years. As at June 30, 2007 our debt-equity ratio was 1.81:1. Since Fiscal 2001, our domestic bonds have been given the highest credit rating, AAA, by CRISIL (a Standard and Poor's Company) and the rating LAAA by ICRA (an associate of Moody's Investor Services). Our projects have been regularly funded by loans from the World Bank and the Asian Development Bank. A downgrading of any of our credit ratings may negatively affect our ability to obtain funds and may increase our financing costs.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards in India. Our financial statements adhere to the relevant presentational requirements of the Companies Act, 1956.

Revenue Recognition

A portion of the tariff charges we are paid constitutes advance against depreciation ("AAD"), which is an advance payment of depreciation in respect of later years that is made in order to facilitate the near-term repayment of loans. It is considered to be deferred income and is accounted for as a reduction in current transmission income and as "Deferred Revenues" in the liability side of the balance sheet, and progressively included in transmission income in subsequent years.

Depreciation

Depreciation on our transmission assets, which constitute most of our fixed assets, is charged on the straight line method. In general, depreciation is calculated based on the technical life of the assets as prescribed by CERC, and not as per the rates prescribed under the Companies Act. Under the CERC

rates, depreciation is charged at lower annual rates for a longer period of time than under the Companies Act. Therefore, our depreciation charges tend to be lower than they would be if we were to depreciate our assets as per Companies Act rates.

Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

- transmission lines – 35 years
- substations – 25 years
- buildings and civil works – 50 years
- power line carrier communications (PLCC) – 15 years.

We depreciate the assets of our consultancy and telecom businesses on the straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.

Capital Work-in-Progress

The cost of materials consumed, erection charges and other expenses incurred for the implementation of projects are shown on the balance sheet as capital work-in-progress, pending capitalisation of the completed project.

Expense Allocation

Common expenses such as the expenses of the corporate head office and regional offices are allocated to various diversified activities of the Company such as transmission, consultancy and telecom in the ratio of the income of each activity. These expenses are further allocated to construction (capital work –in- progress) or operation (charged to revenue) in the ratio of capital outlay to transmission income (excluding income tax recovery)/ telecom income. Expenses of a project common to both operation and construction are allocated to income and incidental expenditure during construction in the ratio of transmission income (excluding income tax recovery) to capital outlay.

No Consolidation

Our Company has a 49% interest in Powerlinks Transmission Limited, a joint venture with The Tata Power Company Limited.

We also have two subsidiaries, Parbati Koldam Transmission Company Limited ("PKTCL") and Byrnihat Transmission Company Limited ("BTCL"). Since the transactions of both the subsidiaries were not considered to be material, the accounts of the two subsidiaries have not been consolidated with our financial statements.

Significant change in our policies in Fiscal 2003

Surcharge is recoverable from the beneficiaries as per the tariff norms on account of delay in payment of transmission charges. Upto the financial year 2001-02, billing was made on account of surcharge on regular basis as per tariff norms. However, there were arrears of surcharge on account of non-payment by the beneficiaries. In view of uncertainty of receipt, the revenue recognition of surcharge in the Profit & Loss Account was being postponed as per the provisions of Accounting Standard # 9 and surcharge was being taken to income on receipt basis. As per Section 209 of the Companies Act, 1956, our Company has to maintain its accounts on accrual basis. CAG while auditing the accounts for the financial year 2001-02 had objected to the policy of accounting surcharge on receipt basis. The objection was dropped on our assurance that policy will be reviewed in the financial year 2002-03.

In the financial year 2002-03, tripartite agreement was signed between respective state governments, the RBI and the Central Government wherein it was agreed that outstanding dues as on 30th September, 2001 will be securitized through issue of 8.5% tax-free State Govt. Bonds. The securitized amount included 40% of the outstanding surcharge amount. Balance 60% was agreed to be waived. In view of above, there was certainty of receipt of surcharge to the extent of 40% of outstanding amount. As such, to account for the 40% surcharge in view of certainty and to comply with the

assurance given to CAG, the accounting policy was required to be changed, in the financial year 2002-03, to what it stands today." Accordingly the Company recognized a surcharge income of Rs. 1,922.9 million in fiscal 2003.

At the time of filing the Draft Red Herring Prospectus with SEBI, previous statutory auditors of the Company considered this as income for Fiscal 2003 on grounds that the income accrued due to change in accounting policy in Fiscal 2003 without restating the accounts of the previous years for which the surcharge income was applicable.

However, the auditors appointed by the Company post filing of the Draft Red Herring Prospectus opined that the above adjustment should be carried out in the respective years for which the surcharge income was applicable and accordingly have restated the financial figures for those respective years. This has resulted in reduction in Restated Profit of Fiscal 2003 by Rs. 1,913.5 million which in turn has been adjusted in the opening reserves. For details, see the section titled "Financial Statements- Statement of Changes/Restated Profit and Loss" beginning on page 148 of this Red Herring Prospectus.

SUMMARY DESCRIPTION OF P&L ITEMS

Income

We divide our income into revenue from operations and other income.

Revenue from Operations

We divide our revenue from operations into revenue from transmission charges (ATC), income from the provision of short term open access, consultancy fees (including project management and supervision charges) and revenue from our telecommunication business.

Transmission Charges

Tariffs. We derive a major portion of our revenue from ATC. Under the current tariff norms, which are expected to apply through Fiscal 2009, we are permitted to charge for our transmission services at a level that provides us with a 14% return on equity and covers interest we owe on outstanding debt, depreciation, advance against depreciation, operation and maintenance expenditure and interest on working capital. For a more detailed discussion of how our tariffs are set and what they are intended to cover, please see "Our Business – Tariff Mechanism" beginning on page 69 of this Red Herring Prospectus.

The Tripartite Agreements. Most of our transmission income comes from the state power utilities that comprise our major customers. These utilities include SEBs and, in certain states, the entities that have been unbundled from those SEBs. Pursuant to the "One Time Settlement", in Fiscal 2003 the GoI, on behalf of the central sector power utilities (the "CSPUs"), including our Company, executed Tripartite Agreements with the RBI and the respective state governments, in order to effectuate a settlement of overdue payments owed to the CSPUs by the SEBs, with provisions for incentives being payable by us for future timely payment payable up to Fiscal 2006. In addition, a similar settlement was entered into between the GoI and the government of national capital territory of Delhi. Under these agreements, the amounts overdue from the SEBs and outstanding to us as of September 30, 2001 were "securitized" through the issue of bonds by the SEBs with a face amount of Rs. 18,618.61 million, and through the conversion into a long-term advance of Rs.1,542.53 million in respect of the Delhi utility, DVB. We are paid a tax-free interest on these bonds at a rate of 8.5% per annum. The bonds are repayable in 20 equal six-monthly installments starting from October 1, 2006 to April 1, 2016. The bonds are guaranteed as to payment of interest and principal by the GoI. We can sell 10% of these bonds in the open market every year with the prior permission of the RBI.

Although the Tripartite Agreements were executed in March 2003 and the bonds were issued thereafter, the deemed date of allotment of the bonds was October 1, 2001. Therefore, we accounted

for the interest received in respect of the bonds issued to us in Fiscal 2004 over the period beginning from October 1, 2001.

Under the Tripartite Agreements, each SEB (and, in the case of SEBs that have been unbundled, each of their successor entities) is required to establish and maintain a letter of credit ("LC") in our favour with a commercial bank. The LC is required to cover 105% of the preceding twelve months' average monthly billing and is required to be updated twice every year. If the LC for the required amount is not in place, we have the right to regulate the power supply to the concerned SEB as per the provisions of the Tripartite Agreements and provisions set out by CERC. The SEB is required to make its regular payments to us for transmission services either through the LC or otherwise within 60 days after we raise an invoice. If payment is not made within 60 days, we have the right to reduce power supply by 5%, and if payment is not made within 75 days, we have the right to reduce power supply by 10%. If payment is not made beyond 90 days, we can reduce power supply by 15% and the GoI is required to pay the outstanding amounts to us from the concerned state 's account balance with the RBI. We recovered nearly 100% of our billings from SEBs and unbundled successors to SEBs in Fiscal 2005, 2006, 2007 and the three months ended June 30, 2007.

Short Term Open Access

One of the goals of the Electricity Act, 2003 is to provide electricity generators and users with open access to electric power transmission systems on a non-discriminatory basis, when capacity is available and such access will not disrupt regular fixed charge access or network operation. We charge for short term open access at rates equal to 25% of our applicable regular fixed charges for regional access and 50% of our applicable regular fixed charges for inter-regional access. We retain 25% of the short term open access charge and pass on 75% of the charge to our regular customers in the form of rebate adjustments in their monthly bills. There is a proposed regulatory amendment pending before CERC under which we would be required to provide short term open access without any charge. Our portion of revenue from the short term open access charge is accounted for as revenue from operations. As RLDC, we also charge short term open access customers a separate fee for the scheduling of their access through the relevant load dispatch centres. We account for this fee as other income. For a more detailed discussion of short term open access, see "Our Business – Open Access" beginning on page 73 of this Red Herring Prospectus.

Revenue from Other Services

We also earn revenue from consultancy (including for project management and supervision services) and from our telecommunication business. Our consultancy income mainly consists of fees from work under the APDRP and the RGGVY, the execution of transmission- and communication system-related projects on a turnkey basis and technical consulting assignments for Indian state utilities and utilities in other countries.

Our revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines.

Revenue from Trading in Power

Historically, we also made revenues from trading power generated from the Chukha Hydro Power Corporation ("CHPC") and the Kurichhu Hydro Power Corporation ("KHPC") of the Royal Government of Bhutan. Pursuant to an order by the Ministry of Power, the trading activity was transferred to a separate power trading entity with effect from October 1, 2002. We have not generated any revenue from the trading of power post transfer. Further, pursuant to the introduction of the Electricity Act, 2003, no transmission licencee can trade in electricity.

Other Income

Other income includes interest earned from bonds issued under the One Time Settlement, operational charges in respect of the scheduling of short term open access, interest from banks, deferred income derived from the amortization of certain grants, lease income from unified load despatch and communication facilities (representing reimbursements to us for certain capital expenditures we made

in respect of the state sector utilities, which are being made to us by the constituents of those regions on a finance lease basis) and certain surcharges from customers.

Expenditures

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contributions to provident and other funds and welfare expenses. Employee pay scales are determined by our Board based on guidelines provided by the Department of Public Enterprises ("DPE"). For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. For our non-unionised employees, pay scales are decided by our Board as per DPE guidelines. A wage and salary revision, which will apply to all our employees, was due to take effect on January 1, 2007. We have made provisions for the payments in respect of this wage and salary revision, which will be backdated to January 1, 2007 when it is finally implemented. Employees' remuneration and benefits represented 8.30% of our total income in Fiscal 2007.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses consist primarily of costs of the repair and maintenance of buildings, plant and machinery and power charges. These items constitute approximately 50.96% of this overall expense category. Other items in this category include expenditures for travel, security, vehicle hire charges, insurance, rent rates and taxes on our properties.

Purchase of Electric Power

Historically, we purchased electricity from the CHPC and the KHPC of the Royal Government of Bhutan in order to sell it to third parties. Pursuant to an order by the Ministry of Power, the trading activity was transferred to a separate power trading entity with effect from October 1, 2002. We have not generated any revenue post transfer. Further, pursuant to the introduction of the Electricity Act, 2003, no transmission licencee can trade in electricity. We have not incurred any expenses for the purchase of electricity since the date of transfer.

Provisions

We maintain provisions in respect of doubtful debts, advances and shortages in stores. Such provisions are made on a yearly basis on an estimated basis and are based upon management's assessments of provisioning norms applicable to each item. Until March 31, 2006 we also made provision against possible losses from the CANFINA litigation. For a description of this matter, see "Outstanding Litigation and Material Developments" beginning on page 239 of this Red Herring Prospectus.

Interest and Finance Charges

Our interest charges consist principally of interest expense and other finance charges on bonds and term loans. Our borrowings are denominated in Rupees and foreign currencies, including the Japanese Yen, the U.S. Dollar, the Swedish Kronor and the Euro. Borrowing costs incurred during the construction period of a project are capitalised.

Deferred Revenue Expenditure (DRE) Written Off

A transmission system project is capitalised when it is ready for its intended use. Up to Fiscal 2003, whenever there had been a delay in the commencement of commercial operations of a new project mainly due to mismatch in the timing of the commissioning of a generation project viz-a-viz its associated transmission projects, the revenue expenditure (excluding interest charges) and depreciation incurred during the period of delay was treated as deferred revenue expenditure and amortised over a period of five years from the year commercial operation commenced. After the introduction of AS 26, which came into effect in Fiscal 2004, this policy was discontinued. However,

unamortised amounts of DRE in all projects capitalized up to March 31, 2003 continue to be amortised during the balance period.

RESULTS OF OPERATIONS

The following table sets forth our profit and loss account information, in Rupee millions and expressed as a percentage of total income, for the periods indicated.

The financial information for Fiscal 2005, 2006, 2007 and the three months ended June 30, 2007 has been restated in compliance with SEBI Guidelines. The effects of the restatement are shown as a cumulative effect on our adjusted profit after tax rather than as restatements of individual line items. Consistent with this presentation, in the discussions of our results of operations for specific periods that follow the table below, we have referred to the unadjusted amounts that appear in our financial statements when we discuss individual line items, and have provided a discussion of the effects of the restatement on our adjusted profit at the end of each discussion.

(Rs. in millions, except percentages)

	Fiscal 2005	% of Total Income	Fiscal 2006	% of Total Income	Fiscal 2007	% of Total Income	Three months ended June 30, 2007	% of Total Income
Income								
Revenue from operations	25,130.71	88.76	31,453.40	88.49	35,898.50	87.94	9,754.67	**92.82**
Provisions written back	12.42	0.04	679.35	1.91	1,334.33	3.27	**28.47**	**0.27**
Other income	3,169.71	11.20	3,410.39	9.60	3,590.26	8.79	**726.19**	**6.91**
Total Income	**28,312.84**	**100.00**	**35,543.14**	**100.00**	**40,823.09**	**100.00**	**10,509.33**	**100.00**
Expenditures								
Employees' remuneration and benefits	2,271.82	8.02	2,568.10	7.23	3,388.76	8.30	**1,064.98**	**10.13**
Transmission, administration and other expenses	1,973.19	6.97	2,223.54	6.25	2,917.73	7.15	**620.98**	**5.91**
Depreciation	6,422.58	22.69	7,443.25	20.94	8,275.81	20.27	**2,254.13**	**21.45**
Provisions	655.84	2.32	1,327.66	3.73	27.40	0.07	**0.00**	**0.00**
Interest and finance charges	8,086.84	28.56	9,474.55	26.66	11,404.22	27.94	**1,127.69**	**10.73**
Deferred revenue expenditure written off	93.11	0.33	88.65	0.25	81.95	0.20	**13.54**	**0.13**
Total Expenditures	**19,503.38**	**68.89**	**23,125.75**	**65.06**	**26,095.87**	**63.93**	**5,081.32**	**48.35**
Profit for the year before tax, prior period adjustments	8,809.46	31.11	12,417.39	34.94	14,727.22	36.07	**5,428.01**	**51.65**

	Fiscal 2005	% of Total Income	Fiscal 2006	% of Total Income	Fiscal 2007	% of Total Income	Three months ended June 30, 2007	% of Total Income
Less: prior period expenditure/ (income) (net)	-274.29	-0.97	727.36	2.05	(92.81)	-0.23	**3.05**	**0.03**
Profit before Tax	**9,083.75**	**32.08**	**11,690.03**	**32.89**	**14,820.03**	**36.30**	**5,424.96**	**51.62**
Less: provision for taxation								
- current year	625.33	2.21	849.43	2.39	1,340.64	3.28	**592.19**	**5.64**
- earlier years	22.77	0.08	-17.85	-0.05	0.26	0.00	**0.00**	**0.00**
Fringe benefit tax								
- current year	0.00	0.00	77.46	0.22	86.85	0.21	**19.26**	**0.18**
- earlier year	0.00	0.00	0.00	0.00	0.35	0.01	**0.00**	**0.00**
Profit after Current Tax	**8,435.65**	**29.79**	**10,780.99**	**30.33**	**13,391.93**	**32.80**	**4,813.51**	**45.80**
Less: Provision for deferred tax								
- current year	447.73	1.58	691.64	1.95	1,067.88	2.62	**291.70**	**2.78**
- earlier years	132.64	0.47	0.00	0.00	30.34	0.07	**0.00**	**0.00**
Profit After Tax as per audited statement of accounts (A)	**7,855.28**	**27.74**	**10,089.35**	**28.38**	**12,293.71**	**30.11**	**4,521.81**	**43.02**
Adjustments on account of:								
Changes in accounting policies	93.11	0.33	88.65	0.25	81.94	0.20	**13.54**	**0.13**
Impact of material adjustments	626.01	2.21	-1,478.49	-4.16	-1,434.55	-3.51	**0.75**	**0.01**
Prior period items	-426.47	-1.51	839.34	2.36	-95.47	-0.24	**3.05**	**0.03**
MAT & deferred tax adjustments	149.88	0.53	-25.24	-0.07	30.95	0.08	**0.00**	**0.00**

	Fiscal 2005	% of Total Income	Fiscal 2006	% of Total Income	Fiscal 2007	% of Total Income	Three months ended June 30, 2007	% of Total Income
Total Adjustments (B)	**442.53**	**1.56**	**-575.74**	**-1.62**	**-1,417.13**	**-3.47**	**17.34**	**0.17**
Adjusted Profit (A+B)	**8,297.81**	**29.30**	**9,513.61**	**26.76**	**10,876.58**	**26.64**	**4,539.15**	**43.19**

Discussion of Results for the Three Months Ended June 30, 2007

Our results for the three months ended June 30, 2007 were principally affected by the following factors:

- We commissioned transmission assets worth Rs. 24,904.91 million during the three months ended June 30, 2007. Major project commissioned during this period included: Kahalgaon II Phase-1, Dulhasti Kishanpur, System Strengthening III in the southern region, Korba Vindhachal and Sipat II.

- We made a provision of Rs. 296.91 million in respect of employee remuneration and benefits payable in connection with the wage and salary revision that was due to take effect on January 1, 2007. Of this, Rs. 73.46 million has been capitalized and is included in construction costs relating to our projects.

- In certain circumstances and pursuant to Indian accounting standards borrowing cost may include exchange differences arising on account of foreign currency borrowings to the extent they are an adjustment of interest cost. Such foreign exchange differences on borrowings may be expensed in the books of accounts. As at June 30, 2007, the favourable US Dollar, Swiss Francs and other currencies to Rupee exchange rate resulted in adjustments in our interest costs, leading to a reduction of Rs. 1,983.40 million in interest and finance charges. This reduction increased our net profit by Rs. 1,983.40 million, which constituted 43.70% of our net profit.

Income

Our total income in the three months ended June 30, 2007 was Rs. 10,509.33 million.

Revenue from Operations

Revenue from Operations	Three months ended June 30, 2007
Revenue from transmission charges	8,724.21
Income from short term open access	119.20
Consultancy fees	597.14
Revenue from telecoms	314.12
Total	9,754.67

Our revenue from operations was Rs. 9,754.67 million in the three months ended June 30, 2007.

Revenue from transmission charges was Rs.8,724.21 million, which includes additional transmission charges on account of the commissioning of transmission assets worth Rs. 24,904.91 million. As a percentage of total income, revenue from transmission charges was 83.01% for the three months ended June 30, 2007. Our telecom revenue for the three months ending June 30, 2007 has been mainly affected by additional utilisation of our telecom network by the existing customers.

Provisions Written Back

During this period we wrote back provisions of Rs. 28.47 million. In Fiscal 2002 we made a provision of Rs. 168 million in respect of payments due, but unpaid, from customers in the North Eastern Region. However at the time of securitization, an amount of Rs. 28.10 million, of the Rs. 168 million due and payable, was paid by certain of these debtor customers through bonds. As this amount of Rs. 28.10 million has been realized through bonds, the provision has been written back in the accounts.

Other Income

(Rs. in millions)

Other Income	Three months ended June 30, 2007
Interest income – bonds and long term advances	384.49
Interest income – banks/others	117.47
Deferred income (transfers from grants in aid)	44.17
Short term open access income	44.64
Transfer from Insurance Reserve	6.29
Lease income from state sector ULDCs	131.97
Surcharge	1.45
Hire charges for equipment	0.19
Miscellaneous income	57.05
Total Other Income	787.72
Less: Transferred to incidental expenditure during construction	61.53
Net Total Other Income	726.19

Expenditures

Our total expenditures were Rs.5,081.32 million in the three months ended June 30, 2007. Our total expenditures as a percentage of total income were 48.35% in the three months ended June 30, 2007.

Employees' Remuneration and Benefits

We had 7,475 employees on our payroll as of June 30, 2007. Employees' remuneration was Rs. 1,064.98 million in the three months ended June 30, 2007. We made a provision of Rs. 296.91 million in respect of employee remuneration and benefits payable in connection with the wage and

salary revision that was due to take effect on January 1, 2007. Of this, Rs. 73.46 million was capitalized and included in construction costs relating to our projects.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses were Rs 620.98 million as of June 30, 2007, which is 5.91% of our total income.

Depreciation

Our depreciation was Rs. 2,254.13 million (21.45% of our total income) in the three months ended June 30, 2007.

Interest and Finance Charges

Interest and finance charges were Rs. 1,127.69 million (10.73% of our total income) in the three months ended June 30, 2007. This amount is net of the Rs. 1,983.40 that was deducted due to the favorable exchange rate variations on our outstanding US dollar loans.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off was Rs. 13.54 million in the three months ended June 30, 2007.

Profit before Tax

Our profit before tax in the three months ended June 30, 2007 was Rs. 5,424.96 million.

Provision for Tax

In the three months ended June 30, 2007, we provided for Rs.592.19 million in taxes. This amount was affected by the impact on our net profit from the reduction in interest charges as a result of favorable exchange rate variations on our outstanding foreign currency loans.

Provision for deferred tax was also affected by revenues from consultancy services and transmission from the Northeastern region, where tax is not passed through.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, final tariff orders issued by the CERC, and the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for the three months ended June 30, 2007 was Rs.4,539.15 million.

The main adjustments for the three months ended June 30, 2007 are described below:

- We have adjusted our profit by Rs. 2.20 million on account of final tariff orders being issued in respect of the Meerut Shatabadinagar (UPIS) Transmission line. This amount has been accounted for in the year to which it relates.

- We have adjusted our profit for the three months ended June 30, 2007 to offset the impact of the amortization of deferred revenue expenditure, which we continue to amortise during the balance period.

- We have adjusted our profit for the three months ended June 30, 2007 to take account of prior period items of Rs. 3.05 million which have been accounted for in the respective years to which they relate.

- We have adjusted our profit for the three months ended June 30, 2007 to account for Rs. 1.45 million in surcharge payments that accrued on late payments from SEB customers. This amount has been accounted for in the respective years to which it relates.

Comparison of Fiscal 2007 to Fiscal 2006

Our total income in Fiscal 2007 was Rs. 40,823.09 million, which represented an increase of 14.86% over our total income of Rs. 35,543.14 million in Fiscal 2006.

Income

Revenue from Operations

(Rs. in millions)

Revenue from Operations	Fiscal 2007	Fiscal 2006
Revenue from transmission charges	32,480.01	29,052.66
Transmission income from short term open access	387.46	390.83
Consultancy fees	2,259.97	1,549.87
Revenue from telecom	771.06	374.24
Reimbursement of RLDC expenses	0.00	85.80
Total	**35,898.50**	**31,453.40**

Our revenue was higher in Fiscal 2007 as compared to Fiscal 2006 mainly on account of the commissioning of new transmission assets worth Rs. 31,428.70 million, including the major projects Tehri-Meerut, Tala Transmission System, Kishenpur Wagoora, Vindhyachal Stage III, Eastern region strengthening schemes, Northern region strengthening schemes and others. In addition, the full-year impact in Fiscal 2007 of the transmission assets which were commissioned during Fiscal 2006 and an increase in consultancy revenue from 1,549.87 million in Fiscal 2006 to Rs. 2,259.97 million in Fiscal 2007 also contributed to our higher revenues.

Provisions Written Back

Our provisions written back were Rs. 1,334.33 million in Fiscal 2007, as against Rs. 679.35 million in Fiscal 2006. Our provisions written back increased mainly because provision of Rs. 1309.87 million made in fiscal 2006 was written back in view of final settlement of the CANFINA matter on March 8, 2007.

Other Income

Our other income was Rs. 3,590.26 million in Fiscal 2007, an increase of 5.27% over our other income of Rs. 3,410.39 million in Fiscal 2006.

(Rs. in millions)

Other Income	Fiscal 2007	Fiscal 2006
Dividend on trade investments	12.00	9.60
Interest income – bonds and long term advances	1,732.37	2,204.80

Other Income	Fiscal 2007	Fiscal 2006
Interest income – banks/others	877.41	320.05
Deferred income (transfers from grants in aid)	176.72	172.62
Operational charges in respect of short term open access	175.94	139.99
Transfer from insurance reserves	0.00	8.61
Lease income from state sector ULDC upgrades	560.83	389.00
Reimbursement from joint venture companies	0.55	0.00
Surcharge	51.60	195.49
Hire charges for equipment	5.33	2.19
Miscellaneous income	139.44	133.05
Total Other Income	3,732.19	3,575.40
Less: Transfer to incidental expenditure during construction	141.93	165.01
Total Net Other Income	**3,590.26**	**3,410.39**

Historically, our tariffs provided for reimbursements of fees and charges in respect of services rendered through the RLDCs. Subsequently, CERC has provided for such RLDC fees and charges to be included in the portion of our tariffs that compensate us for our unified load despatch and communication project ("ULDC"), with effect from the date of commissioning of the respective ULDC upgrades, which are given below:

Northern Region – August 1, 2002;
Southern Region – July 1, 2002;
Northeastern Region – August 1, 2003;
Eastern Region – September 1, 2005;
Western Region – February 1, 2006.

Our other income increased mainly because of an increase in lease income from state sector ULDCs. from Rs. 389.00 million in Fiscal 2006 to Rs. 560.83 million in the Fiscal 2007. Lease income in this fiscal included the full year impact of reimbursements made to us for certain ULDC capital expenditures we made in respect of the Western Region and Eastern Region, which were commissioned in February 2006 and September 2005 respectively.

The increase in total interest income was due to receipt of Rs. 610.90 million in interest payments in connection with the CANFINA settlement. This was off set by a decrease in interest income from bonds and long term advances after the redemption of Rs. 1,960.02 million bonds by the SEBs in fiscal 2007.

Expenditures

Our total expenditures were Rs. 26,095.87 million in Fiscal 2007, an increase of 12.84% over our total expenditures of Rs. 23,125.75 million in Fiscal 2006. Our total expenditures as a percentage of total income were 63.93% in Fiscal 2007 compared to 65.06% in Fiscal 2006.

Employees' Remuneration and Benefits

We had 7,427 employees on our payroll as of March 31, 2007, compared to 7,101 employees as of March 31, 2006. Employees' remuneration and other benefits increased by 31.96% to Rs. 3,388.76 million in Fiscal 2007 from Rs. 2,568.10 million in Fiscal 2006. The increase is due to an increase in the number of employees, higher incentives paid to employees in connection with an increase in turnover from our consultancy and transmission segments and provisions of Rs. 272.15 million made for wage and salary revisions that took effect on January 1, 2007. The increase is also partially the result of the capitalisation of transmission assets worth Rs. 31,428.70 million in Fiscal 2007 because employee remuneration that was earlier capitalized during the construction of the project is now treated as an operating expense subsequent to the commissioning of the project.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses increased by 31.22% to Rs. 2,917.73 million in Fiscal 2007 from Rs. 2,223.54 million in Fiscal 2006. The increase is on account of the capitalisation of transmission assets worth Rs. 31428.70 million in Fiscal 2007 as certain expenses that were earlier being capitalized during the construction of the project are now treated as an operating expense subsequent to the commissioning of the project. These expenses included repair charges of Rs. 445.20million due to the failure of the converter transformers at Dadri, the Rihand HVDC and the ICT in Mandola.

Depreciation

Our depreciation increased by 11.19% to Rs. 8,275.81 million in Fiscal 2007 from Rs. 7,443.25 million in Fiscal 2006. The increase was mainly because of the commissioning of new transmission assets worth Rs. 31428.70 million and full-year impact in Fiscal 2007 of transmission assets which were commissioned during Fiscal 2006.

Provisions

Provisions decreased substantially to Rs. 27.40 million in Fiscal 2007 from Rs. 1,327.66 million in Fiscal 2006. Provisions were higher in Fiscal 2006 since it included the provision of Rs. 1,309.87 million, which was made in respect of litigation in connection with the Canfina matter that settled on March 8, 2007, following the verdict of Delhi High Court in favour of Canbank Mutual Fund.

Interest and Finance Charges

Interest and finance charges increased by 20.37% to Rs. 11,404.22 million in Fiscal 2007 from Rs. 9,474.55 million in Fiscal 2006. The increase is mainly because of the commissioning of new transmission assets worth Rs. 31428.70 million and the full year impact of transmission assets that were commissioned during Fiscal 2006.

These charges include rebates to state power utilities amounting to Rs. 606.20 million on account of prompt payment and guarantee fees of Rs. 432.50 million payable to the GoI for giving guarantees to the lenders of our foreign currency loans.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 7.56% to Rs. 81.95 million in Fiscal 2007 from Rs. 88.65 million in Fiscal 2006. This decrease was on account of the fact that we discontinued our DRE policy with effect from April 1, 2003, the date of applicability of AS 26. Only the unamortised amount as at March 31, 2003 is being amortised during the remaining period.

Profit before Tax

Our profit before tax in Fiscal 2007 was Rs. 14,820.03 million, an increase of 26.77% over our profit before tax of Rs. 11,690.03 million in Fiscal 2006.

Provision for Tax

In Fiscal 2007, we provided for Rs. 1,340.64 million of tax, compared to Rs. 849.43 million in Fiscal 2006. The increase was primarily due to the increase in our profit. This figure was affected principally by an increase in the Minimum Alternate Tax rate from 7.5% to 10% with effect from April 2006. Minimum Alternate Tax paid in respect of our transmission business is recovered through our tariffs and such amounts are accounted for as transmission income.

Provision for deferred tax is made net of amounts recoverable through our tariffs and is affected by revenues from consultancy services and transmission from the Northeastern Region, where tax is not passed through.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, final tariff orders issued by CERC and the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for Fiscal 2007 was Rs. 10,876.58 million. Adjusted profit for Fiscal 2007 increased by 14.33% over our adjusted profit of Rs. 9,513.61 million in Fiscal 2006.

The main adjustments for Fiscal 2007 are described below:

We have adjusted our profit for Fiscal 2007 to take into account arrears of incentives paid to employees on account of the early commissioning of the Tala Transmission System. Rs. 75.04 million pertaining to periods prior to April 1, 2006 were charged off to the respective years to which they relate.

The CANFINA settlement has resulted in payment of interest and finance charges of Rs. 1,481.50 million and receipt of interest of Rs. 610.90 million. As part of the restatement of our accounts, interest expenditure of Rs. 1427.69 million (excluding Rs. 53.81 million pertaining to) Fiscal 2007 and interest income of Rs. 572.84 million (excluding Rs. 38.06 million pertaining to Fiscal 2007) has been allocated/charged to the year to which it relates. In this regard net provisions of Rs. 809.90 million were made in Fiscal 2006 and Rs. 500 million was made in Fiscal 2002, which in view of the agreement has been written back in Fiscal 2007. In the restated accounts, aforesaid provision of Rs. 1,309.90 million written back in Fiscal 2007 is reversed and the same were withdrawn in the years in which they were created.

We have adjusted our profit for Fiscal 2007 to account for arrears of transmission charges on account of arrears towards the revision of the UCPTT rates from Rs. 0.3161618 to Rs. 0.33853696 per unit from April to May 2004, Rs. 0.33690816 per unit from June to December 2004 and Rs. 0.33465764 per unit thereafter. The profit has also been adjusted on to take into account differences in the availability-based incentive received and the total incentive due after the final certification of availability was made by the regional power committee. The arrears have been accounted for in the years to which they relate.

We have adjusted our profit for Fiscal 2007 on account of prior period items of Rs. 95.47 million, which have been accounted for in the years to which they relate. We have adjusted our profit for Fiscal 2007 to offset the impact of amortisation of deferred revenue expenditure, which we continue to amortise during the balance period.

Comparison of Fiscal 2006 to Fiscal 2005

Our total income in Fiscal 2006 was Rs. 35,543.14 million, which represented an increase of 25.54% over our total income of Rs. 28,312.84 million in Fiscal 2005.

Income

Revenue from Operations

(Rs. in millions)

Revenue from Operations	Fiscal 2006	Fiscal 2005
Revenue from transmission charges	29,052.66	22,968.23
Transmission income from short term open access	390.83	338.37
Consultancy fees	1,549.87	1,279.69
Revenue from telecom	374.24	265.37
Reimbursement of RLDC expenses	85.80	279.05
Total	**31,453.40**	**25,130.71**

Our revenue were higher in fiscal 2006 as compared to fiscal 2005 mainly on account of commissioning of new transmission assets worth Rs. 24,386.36 million; full-year impact in Fiscal 2006 of the transmission assets which were commissioned during Fiscal 2005; accounting for arrears in respect of incentives for the period 2001-2004 after the issue of final incentive notifications by CERC; and accounting for arrears due to final tariff orders issued by CERC.

Provisions Written Back

Our provisions written back were Rs. 679.35 million in Fiscal 2006, as against Rs. 12.42 million in Fiscal 2005. Our provisions written back increased mainly because:

An ad hoc provision of Rs. 500 million made during Fiscal 2002 towards the final settlement of the CANFINA litigation was written back because a provision of Rs. 1,309.87 million (including Rs. 977.87 million towards interest) was made following the verdict in the Delhi High Court in favour of CANBANK Mutual Fund.

A provision of Rs 178.31 million, made in Fiscal 2004 in respect of a surcharge recoverable from the Bihar and Jharkhand SEBs was written back in view of the issue of One Time Settlement bonds by these SEBs in Fiscal 2006.

Other Income

Our other income was Rs. 3,410.39 million in Fiscal 2006, an increase of 7.59% over our other income of Rs. 3,169.71 million in Fiscal 2005.

(Rs. in millions)

Other Income	Fiscal 2006	Fiscal 2005
Dividend on trade investments	9.60	9.60
Interest income – bonds and long term advances	2,204.80	1,786.20
Interest income – banks/others	320.05	417.05
Deferred income (transfers from grants in aid)	172.62	172.72

Other Income	Fiscal 2006	Fiscal 2005
Operational charges in respect of short term open access	139.99	113.32
Transfer from insurance reserves	8.61	10.86
Lease income from state sector ULDC upgrades	389.00	470.49
Reimbursement from joint venture companies	0.00	2.19
Surcharge	195.49	186.18
Hire charges for equipment	2.19	3.51
Miscellaneous income	133.05	132.54
Total Other Income	3,575.40	3,304.66
Less: Transfer to incidental expenditure during construction	165.01	134.95
Total Net Other Income	**3,410.39**	**3,169.71**

Our other income increased mainly because of interest accounted for upon the issue of bonds worth Rs. 1,467.90 million by the Bihar and Jharkhand SEBs under the One Time Settlement. Interest income in respect of these bonds amounted to Rs. 134.96 million (including arrears of interest amounting to Rs. 104.96 million up to March 31, 2005) in respect of Bihar and Rs. 426.52 million (including arrears of interest amounting to Rs. 331.74 million up to March 31, 2005) in respect of Jharkhand.

Expenditures

Our total expenditures were Rs. 23,125.75 million in Fiscal 2006, an increase of 18.57% over our total expenditures of Rs. 19,503.38 million in Fiscal 2005. Our total expenditures as a percentage of total income were 65.06% in Fiscal 2006 compared to 68.89% in Fiscal 2005.

Employees' Remuneration and Benefits

We had 7,101 employees on our payroll as of March 31, 2006, compared to 6,881 employees as of March 31, 2005. Employees' remuneration and other benefits increased by 13.04% to Rs. 2,568.10 million in Fiscal 2006 from Rs. 2,271.82 million in Fiscal 2005. The increase is due to an increase in number of employees, increase in the Dearness Allowance fixed by the Government in relation to the consumer price index and payable to all employees, an increase in employee remuneration due to promotion of employees and similar other benefits. The increase is also partially the result of the capitalisation of transmission assets worth Rs. 24,386.36 million in fiscal 2006 because employee remuneration that was earlier capitalized during the construction of the project is now treated as an operating expense subsequent to the commissioning of the project.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses increased by 12.69% to Rs. 2,223.54 million in Fiscal 2006 from Rs. 1,973.19 million in Fiscal 2005. The increase is on account of the capitalisation of transmission assets worth Rs. 24,386.36 million in fiscal 2006 as certain expenses which were earlier being capitalized during the construction of the project are now treated as an operating expense subsequent to the commissioning of the project. The increase was also the result of write-offs of surcharges recoverable from the Bihar and Jharkhand SEBs, amounting to Rs. 73.13 million in Fiscal 2006.

Depreciation

Our depreciation increased by 15.89% to Rs. 7,443.25 million in Fiscal 2006 from Rs. 6,422.58 million in Fiscal 2005. The increase was mainly because of the commissioning of new transmission assets worth Rs. 24,386.36 million and full-year impact in Fiscal 2006 of transmission assets which were commissioned during Fiscal 2005.

Provisions

Provisions increased by 102.44% to Rs. 1,327.66 million in Fiscal 2006 from Rs. 655.84 million in Fiscal 2005. Provisions made in Fiscal 2006 mainly included Rs.1,309.87 million (including Rs. 977.87 million towards interest) provided for in view of the verdict by the Delhi High Court in favour of CANBANK Mutual Fund in the CANFINA litigation.

Interest and Finance Charges

Interest and finance charges increased by 17.16% to Rs. 9,474.55 million in Fiscal 2006 from Rs. 8,086.84 million in Fiscal 2005. The increase is mainly because of the commissioning of new transmission assets worth Rs. 24,386.36 million and full year impact of transmission assets that were commissioned during Fiscal 2005. Interest and finance charges also increased due to incentives of Rs.143.30 million paid in respect of bonds issued under the One Time Settlement by the Bihar and Jharkhand SEBs.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 4.79% to Rs. 88.65 million in Fiscal 2006 from Rs. 93.11 million in Fiscal 2005. This decrease was due to the fact that we discontinued our DRE policy with effect from April 1, 2003, the date of applicability of AS 26. Only the unamortised amount as at March 31, 2003 is being amortised during the remaining period. It will continue to decrease from year to year.

Profit before Tax

Our profit before tax in Fiscal 2006 was Rs. 11,690.03 million, an increase of 28.69% over our profit before tax of Rs. 9,083.75 million in Fiscal 2005.

Provision for Tax

In Fiscal 2006, we provided for Rs. 849.43 million of tax, compared to Rs. 625.33 million in Fiscal 2005. The increase was primarily due to the increase in our profit.

Provision for deferred tax is made net of amounts recoverable through our tariffs and is affected by revenues from consultancy services and transmission from the Northeastern Region, where tax is not passed through.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, final tariff orders issued by CERC and the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for Fiscal 2006 was Rs. 9,513.61 million. Adjusted profit for Fiscal 2006 increased by 14.65% over our adjusted profit of Rs. 8,297.81 million in Fiscal 2005.

The main adjustments for Fiscal 2006 are described below:

We have adjusted our profit for Fiscal 2006 to account for arrears of transmission charges resulting from adjustments to final tariff notifications made by CERC, an amount resulting from the

notification by CERC of additional capitalisation, amounts due to arrears of incentives notified by CERC during Fiscal 2006 and pertaining to Fiscal 2001-2005 and other minor adjustments. The arrears have been accounted for in the years to which they relate. A provision of Rs 178.31 million, made in Fiscal 2004 in respect of surcharges recoverable from the Bihar and Jharkhand SEBs, was written back in view of the issue of bonds by these SEBs. This write-back of provision has been reversed in Fiscal 2006 and added back in Fiscal 2004, when the provision was made. Arrears of interest income on the bonds issued by the Bihar and Jharkhand SEBs and arrears of incentives to the two SEBs for prompt payment have been taken back to the years to which they relate.

We have adjusted our profit for Fiscal 2006 to account for arrears of transmission charges on account of arrears towards the revision of the UCPTT rates from Rs. 0.3161618 to Rs. 0.33853696 per unit from April to May 2004, Rs. 0.33690816 per unit from June to December 2004 and Rs. 0.33465764 per unit thereafter, and other minor adjustments. The arrears have been accounted for in the years to which they relate.

We have adjusted our profit for Fiscal 2006 on account of CANFINA litigation-related adjustments amounting to Rs. 793.01 million. Provisions on account of interest due to CANBANK Mutual Fund in view of the verdict by the Delhi High Court, and a provision write-back of Rs. 500 million, have been added back and taken to the years to which they relate.

We have adjusted our profit for Fiscal 2006 on account of prior period items of Rs. 839.34 million, which have been accounted for in the years to which they relate.

We have adjusted our profit for Fiscal 2006 to offset the impact of amortisation of deferred revenue expenditure, which we continue to amortise during the balance period.

Comparison of Fiscal 2005 to Fiscal 2004

Our total income was Rs. 28,312.84 million in Fiscal 2005, an increase of 0.91% over our total income of Rs. 28,057.50 million in Fiscal 2004.

Income

Revenue from Operations

(Rs. in millions)

Revenue from Operations	Fiscal 2005	Fiscal 2004
Revenue from transmission charges	22,968.23	21,906.15
Transmission income from short term open access	338.37	0.00
Consultancy fees	1,279.69	370.79
Revenue from telecom	265.37	74.00
Reimbursement of RLDC expenses	279.05	279.39
Total	**25,130.71**	**22,630.33**

Our revenue from operations were higher in Fiscal 2005 mainly on account of the commissioning of new transmission assets worth Rs. 13,904.63 million, and full year impact in Fiscal 2005 of transmission assets that were commissioned during Fiscal 2004. Also, in Fiscal 2005 we earned Rs. 338.37 million of transmission revenue by providing short term open access to customers. Consultancy income increased to Rs 1,279.69 million from Rs. 370.79 million in Fiscal 2004 on account of additional assignments undertaken under RGGVY.

Provisions Written Back

Our provisions written back were Rs. 12.42 million in Fiscal 2005 as compared to Rs. 1,728.91 million in Fiscal 2004. In Fiscal 2004, we had written back Rs. 1,164.90 million of provisions as a result of certain changes made by CERC in its interpretations of tariff parameters, and Rs. 556.7 million created on account of interest differences between coupon rates and 8.5% tax-free rates in respect of existing SEB bonds of Rs. 7,172.3 million.

Other Income

Our other income was Rs. 3,169.71 million in Fiscal 2005, a decrease of 14.29% over our other income of Rs 3,698.26 million in Fiscal 2004.

(Rs. in millions)

Other Income	Fiscal 2005	Fiscal 2004
Dividend on trade investments	9.60	0.00
Interest income – bonds and long term advances	1,786.20	2,650.67
Interest income – banks/others	417.05	226.31
Deferred income (transfers from grants in aid)	172.72	163.14
Operating charges in respect of short term open access	113.32	0.00
Transfer from insurance reserves	10.86	9.80
Lease income from state sector ULDC upgrades	470.49	536.74
Reimbursement from joint venture companies	2.19	35.26
Surcharge	186.18	69.78
Hire charges for equipment	3.51	11.80
Miscellaneous income	132.54	119.71
Total Other Income	3,304.66	3,823.21
Less: transferred to incidental expenditure during construction	134.95	124.95
Net Total Other Income	**3,169.71**	**3,698.26**

Our other income decreased mainly because of a decrease in interest income on bonds and long term advances from Rs. 2,650.67 million in Fiscal 2004 to Rs. 1,786.20 million in Fiscal 2005. The decrease offset the increase in surcharge from Rs 69.78 million in Fiscal 2004 to Rs. 186.18 million in Fiscal 2005. We generated an income of Rs. 113.32 million from operating charges with respect of the provision of short term open access.

Expenditures

Our total expenditures were Rs. 19,503.38 million in Fiscal 2005, a decrease of 4.84% over our total expenditures of Rs. 20,494.48 million in Fiscal 2004.

Employees' Remuneration and Benefits

We had 6,881 employees on our payroll as of March 31, 2005, compared to 6,911 employees as of March 31, 2004. Employees' remuneration and other benefits decreased by 3.45% to Rs. 2,271.82 million in Fiscal 2005 from Rs. 2,352.92 million in Fiscal 2004. The employee remuneration for the Fiscal 2004 was higher since the arrears of revised transmission incentives payable with effect from January 2000 to employees were paid in Fiscal 2004.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses increased by 6.69% to Rs. 1,973.19 million in Fiscal 2005 from Rs. 1,849.50 million in Fiscal 2004. This increase was primarily due to the commissioning

of new transmission assets worth Rs. 13,904.63 million as certain expenses that were earlier capitalized during the construction of the project are now treated as an operating expense subsequent to the commissioning of the project and the full-year impact of transmission assets in Fiscal 2005 of projects that were commissioned during Fiscal 2004.

Depreciation

Our depreciation increased by 5.91% to Rs. 6,422.58 million in Fiscal 2005 from Rs. 6,064.20 million in Fiscal 2004.

Provisions

Provisions increased by 264.74% to Rs. 655.84 million in Fiscal 2005 from Rs. 179.81 million in Fiscal 2004. The primary reason for the increase was the creation of a provision for doubtful debts of Rs. 597.30 million in Fiscal 2005 on account of overdue amounts in respect of DVB/DESU, a Delhi utility.

Interest and Finance Charges

Interest and finance charges decreased by 18.39% to Rs. 8,086.84 million in Fiscal 2005 from Rs. 9,909.60 million in Fiscal 2004. The main reason for the decrease was the replacement of a high-interest bearing GoI loan with the amount raised through issuance of bonds. The replacement resulted in interest savings of Rs.1,156 million for Fiscal 2005. In addition, interest and finance charges for Fiscal 2004 included arrears of incentives paid under the One Time Settlement amounting to Rs. 797.49 million.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 32.75% to Rs. 93.11 million in Fiscal 2005 from Rs. 138.45 million in Fiscal 2004. This decrease was due to the fact that we discontinued our DRE policy with effect from April 1, 2003, the date on which applicability of AS 26 became mandatory. Only the unamortised amount as at March 31, 2003 is being amortised during the remaining period.

Profit before Tax

Our profit before tax in Fiscal 2005 was Rs. 9,083.75 million, an increase of 27.17% over our profit before tax of Rs. 7,142.95 million in Fiscal 2004.

Provision for Tax

In Fiscal 2005, we provided for Rs. 625.33 million of tax, compared to Rs. 262.99 million in Fiscal 2004. The increase was primarily due to our increase in profit. In Fiscal 2004, our tax provision was less because the income included arrears of interest on SEB bonds that became tax-exempt with retrospective effect.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, final tariff orders issued by CERC and the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for Fiscal 2005 was Rs. 8,297.81 million. Our adjusted profit in Fiscal 2005 decreased by 18.90% over our adjusted profit of Rs. 10,231.58 million in Fiscal 2004.

The main adjustments for Fiscal 2005 are described below:

We have adjusted our profit for Fiscal 2005 to account for arrears of transmission charges consisting of adjustments to take account of revisions of operations and maintenance expenses pertaining to Fiscal 2001-2004, notified by CERC, arrears of incentives, revisions of UCPTT rates, final tariff notifications and other adjustments. The arrears have been accounted for in the respective years to which they relate.

We have adjusted our profit for Fiscal 2005 to account for net interest of Rs. 16.86 million payable in

connection with the settlement of the CANFINA litigation matter.

We have adjusted our profit for Fiscal 2005 to take account of prior period items (including prior period items considered in Fiscal 2005 in view of the restatement of prior period items in Fiscal 2006 and fiscal 2007 which have been accounted for in the years to which they relate.

We have adjusted our profit for Fiscal 2005 to offset the impact of amortisation of deferred revenue expenditure, which we continue to amortise during the balance period.

We have adjusted our profit for Fiscal 2005 on account of tax provisions of earlier years amounting to Rs. 149.88 million, which have been taken to the years to which they relate.

We have adjusted our profit for Fiscal 2005 to account for interest of Rs. 3.03 million payable in connection with the settlement of ABFSL litigation matter pertaining to earlier years.

For a description of the main adjustments for Fiscal 2004, see the section entitled "Financial Statements" beginning on page 139 of this Red Herring Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

We depend on both internal and external sources of liquidity to provide working capital and to fund capital requirements. We have historically funded our capital expenditures with internally generated funds, grants and equity contributions by the Government and debt financing. We generally enter into long term borrowings in the form of bank loans or privately placed bonds, which may be in Rupees or foreign currencies. As at June 30, 2007, we had cash and cash equivalents of Rs. 12,479.50 million. As at June 30, 2007, we also had committed and undrawn credit facilities for capital requirements of approximately Rs. 25,090.26 million and committed and undrawn working capital facilities of approximately Rs. 3,000 million ("cash credit").

In the past, we have also received the support of the GoI in part through equity infusions. In Fiscal 2007, Fiscal 2006 and Fiscal 2005, the GoI infused equity into the Company to the extent of Rs. 2000 million, Rs. 4,193.8 million and Rs. 1,300 million, respectively. Following the completion of the Issue, we cannot assure you that the GoI will make any further equity infusions in our Company.

Cash Flows

(Rs. in millions)

	Year ended March 31,			Three months ended June 30,
	2005	**2006**	**2007**	**2007**
Net cash from operating activities	27,952.20	35,870.05	43,458.52	**4,318.12**
Net cash (used in) investment activities	(29,973.50)	(45,030.07)	(67,360.65)	**(11,739.99)**
Net cash from (used in) financing activities	171.31	9,010.77	29,979.85	**7,933.18**
Cash and cash equivalents at the end of the year	6,039.72	5,890.47	11,968.19	**12,479.50**

Net Cash From Operating Activities

Our net cash flows from operating activities are principally used to service long-term debt, for capital expenditures, for investments and for dividends.

Our net cash from operating activities for the three months ended June 30, 2007 was 4,318.12 million. Changes in assets and liabilities that had a current period cash flow impact consisted

mainly of an decrease in working capital of Rs. 3,745.00 million, which was affected by a significant decrease in trade payables. Trade payables decreased mainly as a result of the payment of retention monies to contractors, which were withheld during the construction phase of our projects. These amounts are paid to contractors in the regular course of business upon the expiry of an agreed period after the commissioning of our project. In addition, net cash from operating activities was affected by a decrease in the amount of interest paid on loans, which was lower due to adjustments made in respect of favorable exchange rate variations on our outstanding foreign currency loans.

Our net cash from operating activities was Rs.43,458.52 million in Fiscal 2007. Changes in assets and liabilities that had a current period cash flow impact consisted mainly of an increase in working capital of Rs. 13,984.29 million, primarily from an increase in trade payables offset by a increase in other current assets and trade and other receivables.

Our net cash from operating activities was Rs. 35,870.05 million in Fiscal 2006. Changes in assets and liabilities that had a current period cash flow impact consisted mainly of an increase in working capital to Rs. 10,699.75 million, consisting primarily of a significant increase in both trade and other receivables, and trade payables and other liabilities, offset by a increase in trade and other receivables.

Our net cash from operating activities was Rs. 27,952.20 million in Fiscal 2005. Changes in assets and liabilities that had a current period cash flow impact consisted mainly of a decrease in working capital to Rs. 5,965.72 million, consisting primarily of a decrease in trade payables offset by an decrease in other current assets.

Net Cash (Used in) Investment Activities

Our net cash used in investment activities was Rs. 11,739.99 million for the three months ended June 30, 2007. This reflected expenditure on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of Rs. 12,955.17 million and receipt of interest and dividend income of Rs. 384.49 million.

Our net cash used in investing activities was Rs. 67,360.65 million in Fiscal 2007. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of Rs. 71,608.43 million and receipt of interest and dividend income of Rs. 1,744.37 million.

Our net cash used in investing activities was Rs. 45,030.07 million in Fiscal 2006. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of Rs. 43,892.51 million, investment in joint ventures of Rs. 1,102.51 million, lease receivables of 2,249.95 million (representing certain capital expenditures we made in respect of the Western Region and Eastern Region state sector ULDC, for which the constituents of those regions are reimbursing us on a finance lease basis) and receipt of interest and dividend income of Rs. 2,214.40 million.

Our net cash used in investing activities was Rs. 29,973.50 million in Fiscal 2005. This reflected expenditures on fixed assets and capital work-in-progress as well construction stores and advances paid to contractors for capital expenditure of Rs. 31,666.55 million and receipt of interest and dividend income of Rs. 1,795.79 million.

Net Cash From (Used in) Financing Activities

Our net cash from financing activities was Rs. 7,933.18 million from the three months ended June 30, 2007. We raised Rs. 11,244.89 million of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. We repaid Rs. 2,184.02 million of borrowings and paid interest of Rs. 1,127.69 million. In addition, net cash from financing activities was affected by the smaller amount of interest paid on loans due to adjustments made in respect of favorable exchange rate variations on our outstanding foreign currency loans.

In Fiscal 2007, our net cash flow from financing activities was Rs. 29,979.85 million. We raised Rs. 59,385.30 million of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. We repaid Rs. 16,391.60 million of borrowings and paid interest of Rs. 11,404.23 million. In the Fiscal 2007, we paid dividends of Rs. 3,304.50 million comprising final dividend for Fiscal 2006 and an interim dividend for Fiscal 2007. Under GoI guidelines applicable to government companies generally, dividend is payable at a rate of 20% of profit after tax or 20% of share capital, whichever is higher. The minimum payout in respect of infrastructure sector companies is 30% of profit after tax. Generally, 10% is required to be paid as an interim dividend and the balance is paid as the final dividend.

In Fiscal 2006, our net cash flow from financing activities was Rs. 9,010.77 million. We raised Rs. 36,089.65 million of new borrowings, consisting principally of Rupee denominated bonds and foreign currency borrowings. We repaid Rs. 19,708.85 million of borrowings and paid interest of Rs. 9,474.55 million. In Fiscal 2006, we paid final dividends of Rs. 960 million for Fiscal 2005, as well as an interim dividend of Rs. 872.30 million for Fiscal 2006.

In Fiscal 2005, our net cash flow from financing activities was Rs. 171.31 million. We raised Rs. 19,084.50 million of new borrowings, consisting principally of Rupee denominated bonds and foreign currency borrowings. We repaid Rs. 7,867.90 million of borrowings and paid interest of Rs. 8,086.84 million. In Fiscal 2005, we paid final dividends of Rs.1,250 million for Fiscal 2004, as well as an interim dividend of Rs. 880 million for Fiscal 2005.

Capital Expenditures

Our capital expenditures are primarily for the installation of new transmission capacity and the expansion of existing capacity. Our capital expenditures in Fiscal 2007, 2006, 2005 and 2004 were Rs. 63,286 million, Rs. 45,637 million, Rs. 41,336 million and Rs. 32,224 million respectively. Our capital expenditure in the three months ended June 30, 2007 was Rs. 17,177.00 million. The Ministry of Power has approved our revised estimate of Rs. 65,000 million of capital expenditure for Fiscal 2008. We expect this capital expenditure to be used mainly for transmission projects that will be associated with generation projects such as Tala HEP; Sipat–I; Sipat-II; Vindhyachal-III; Kahalgaon Stage–II; Phase I; Khalangaon Stage II, Phase II; Neyveli II expansion; Kaiga 3 and 4, Kundankulam, RAPP 5 and 6; and Barh, as well as in relation to grid strengthening projects and joint ventures. Although our capital expenditure budgets for Fiscal 2009 and beyond are not yet determined, they may be significantly higher than for Fiscal 2007 and 2008 as the Government's Eleventh Five Year Plan envisages a significant increase in power transmission capability across the country through 2012.

Our capital expenditure budgets are subject to modification as a result of a variety of factors, including the availability of internal and external resources, changes to expansion plans and similar other factors.

Return on Equity

The return on equity that we are generally permitted on transmission assets under our tariffs is 14%. Our actual return on equity from period to period across our entire business can be lower, for a number of reasons. For instance, we have significant funds under capital work-in-progress, which do not earn return until the associated transmission projects commence operations. When there is a delay in the commencement of operations of a project, whether caused by us or caused by a delay in the generation project from which our transmission project is to draw power, the time during which no return on equity is earned increases. In addition, the SEB bonds that we hold under the One Time Settlement earn a maximum of 8.5% per annum. Further, some of our investments in joint ventures, may provide lesser returns. For these and other reasons, our actual returns on equity may vary from period to period.

Selected Balance Sheet Items

Fixed Assets

Our total fixed assets after depreciation were Rs. 218,160.68 million, Rs. 185,162.50 million, Rs. 162,556.52 million as at March 31, 2007, 2006 and 2005, respectively. Our fixed assets as at June 30, 2007, were Rs. 229,708.08 million. Our fixed assets consist of plant and machinery such as transmission lines, substations, HVDC and ULDC equipment and other transmission equipment; buildings; land; office equipment; fixtures; and motor vehicles. Fixed assets value increased by 9.21% in Fiscal 2005 as compared to Fiscal 2004, increased by 13.91% in Fiscal 2006 as compared to Fiscal 2005 and increased by 17.82% in Fiscal 2007 as compared to Fiscal 2006. These increases are mainly due to the commissioning of new transmission assets.

Capital Work-in-Progress and Construction Stores and Advances

Our capital work-in-progress was Rs. 60,838.94 million, Rs. 36,504.25 million and Rs. 35,758.04 million as at March 31, 2007, 2006 and 2005, respectively. Our capital work in progress was Rs. 59,445.26 million as at June 30, 2007. Construction stores and advances were Rs. 33,715.41 million, Rs. 27,651.76 million and Rs. 14,631.74 million as at March 31, 2007, 2006, 2005 and 2004, respectively. Construction stores and advances were Rs. 34,260.37 million as at June 30, 2007. These amounts represent our new as well as ongoing capital expenditure on transmission assets. The increases in these amounts are mainly due to the undertaking of new transmission projects .

Investments

Our investments mainly consist of bonds issued by the SEBs as part of the One Time Settlement. We have also invested Rs. 120 million in equity shares of PTC India Limited, the power trading company, and Rs. 2,293.20 million in Powerlinks Transmission Limited, the joint venture between us and The Tata Power Company Limited through which the Tala Transmission Project was constructed. Our total investments were Rs. 19,670.05 million, Rs. 21,394.11 million, Rs. 20,292.10 million as at March 31, 2007, 2006 and 2005, respectively. Our total investments were Rs.19,088.16 million as at June 30, 2007.

Loans and Advances

Our total loans and advances as at March 31, 2007, 2006 and 2005, respectively, were Rs. 14,912.61 million, Rs. 15,940.58 million, and Rs. 13,254.79 million. Our total loans and advances as at June 30, 2007 were Rs. 15,370.70 million. Loans and advances include advances under the One Time Settlement amounting to Rs. 1,542.53 million in respect of DESU/DVB, a Delhi utility, loans to employees, lease receivables (representing certain capital expenditures we made in respect of the state sector ULDCs of all five regions, for which the constituents of those regions are reimbursing us on a finance lease basis), loans and advances to contractors, advance income tax, TDS and other deposits with tax authorities. The increase in loans and advances from Fiscal 2005 to Fiscal 2006 was principally due to the commissioning of the ULDC projects in Fiscal 2006. The 6.45% decrease in loans and advances in Fiscal 2007 as compared to Fiscal 2006 was due to the settlement of the CANFINA matter and principal recovery of lease receivables.

Other Current Assets

Our other current assets as at March 31, 2007, 2006 and 2005, respectively, were Rs. 1,470.28 million, Rs. 1,554.38 million, and Rs. 1,785.18 million. Our current assets as at June 30, 2007 were Rs. 1,043.97 million. Other current assets mainly include interest accrued on investments under the One Time Settlement and interest accrued on employee loans.

Other current assets decreased by 46.37% in Fiscal 2005 as compared to Fiscal 2004, decreased by 12.93% in Fiscal 2006 as compared to Fiscal 2005 and decreased 5.41% in Fiscal 2007 as compared to Fiscal 2006. These fluctuations are on account of bonds that were allotted in Fiscal 2004 under the One Time Settlement for which interest was payable with retrospective effect from October 1, 2001. Provision for interest accrued was made in Fiscal 2004.

Inventories

Inventories are valued at cost on a weighted average basis. The cost of inventories were Rs. 1,841.28 million, Rs. 1,802.39 million, and Rs. 1,842.65 million as at March 31, 2007, 2006 and 2005,

respectively. Cost of inventories as at June 30, 2007 were Rs. 1,891.27 million. Our inventories consists of transmission line items such as tower parts, conductors, insulators and other items, and substation items such as transformers, circuit breakers, ICTs and other items.

The cost of our inventories decreased by 6.40% in Fiscal 2005 as compared to Fiscal 2004, decreased by 2.18% in Fiscal 2006 as compared to Fiscal 2005 and increased by 2.16% in Fiscal 2007 as compared with Fiscal 2006. These decreases reflect the achievement of certain economies of scale as we continue to expand our transmission network.

Sundry Debtors

Sundry debtors consists principally of receivables relating to transmission services, and also receivables from consultancy services and telecom services. Our sundry debtor amounts as on March 31, 2007, 2006 and 2005 were Rs. 4,904.00 million and Rs. 4,403.45 million, Rs. 5,713.38 million, respectively. Our sundry debtor amounts as at June 30, 2007 were Rs. 5,250.97 million.

Sundry debtors increased by 19.59% in Fiscal 2005 as compared to Fiscal 2004. Sundry debtors decreased by 22.93% in Fiscal 2006 as compared to Fiscal 2005 and increased by 11.37% in Fiscal 2007 as compared to Fiscal 2006. The increase from Fiscal 2004 to Fiscal 2005 was principally due to time lags between the provision of transmission services on certain new projects in Fiscal 2004 and the formal notification by CERC of the tariffs relating to those projects in Fiscal 2005. We can recognize certain tariff components that are chargeable on a pass-through/recoverable basis as income, such as income tax and foreign exchange rate variations, without waiting for final tariff notifications. However, other tariff components, such as incentive amounts, are booked as income on a provisional basis based on certification of availability by the relevant Regional Power Committee until final tariff notification is received from CERC. The increase in sundry debtors in fiscal 2007 as compared to fiscal 2006 is partly due to accounting of certain items of incremented income on account of income tax and other taxes on an accrual basis and partly due to the time lag between the provision of transmission services on certain new projects and formal notification by CERC.

Substantially all of our receivables are covered by letters of credit pursuant to the One Time Settlement Scheme, following which we have no material debt collection problems.

Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. A significant part of our external funding has been through long-term foreign currency loans from multilateral agencies such as the World Bank and the Asian Development Bank, with our performance under such loans guaranteed by the GoI. We have increased our reliance on Rupee and foreign currency denominated commercial borrowings. These include export credits for imported equipment, syndicated loans and domestic borrowings in Rupees in the form of loans and bonds.

The following table sets forth, by currency, our outstanding debt and the periods during which debt amounts mature or payment is otherwise due. Currency conversions are as of June 30, 2007:

(Rs. in millions)

Currency	July 1, 2007 to March 31, 2008	2008-09	2009-10	2010-11	2011-12	Beyond 2011-12	Total
Rupees	13,685.88	7,382.15	8,443.22	11,935.44	13,167.99	87,104.31	**141,718.99**
Euro	111.54	185.02	193.28	200.54	208.20	1,211.24	**2,109.82**
GBP	160.47	-	-	-	-	-	**160.47**
SEK	158.28	158.28	158.28	158.28	158.28	791.41	**1,582.81**
CHF	919.12	919.12	919.12	919.12	919.12	1,378.67	**5,974.27**
JPY	175.66	60.69	60.69	60.69	60.69	910.41	**1,328.83**

Currency	July 1, 2007 to March 31, 2008	2008-09	2009-10	2010-11	2011-12	Beyond 2011-12	Total
US $	1,280.31	2,704.71	2,952.74	3,222.56	3,728.51	35,551.90	**49,440.73**

Secured Loans

Our secured loans as at March 31, 2007, 2006 and 2005, were Rs. 172,477.20 million, Rs. 129,461.37 million and Rs. 110,017.53 million, respectively. Our secured loans as at June 30, 2007 were Rs. 182,569.74 million. Secured loans include amounts raised from our private placement of bonds, term loans from banks , loans from the International Bank for Reconstruction and Development, Asian Development Bank and Bank of India. Due to our increased investment in new projects during the last four years, our borrowings have increased substantially.

Most of our secured loans have been secured by floating charges on the moveable and immoveable properties of the Company.

The following table presents our secured debt as at June 30, 2007:

(Rs. in millions)

	Amount	% of total secured debt
Bonds denominated in Rupees	119,990.80	65.73
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency (1)	49,371.06	27.04
Denominated in Rupees	7,325.00	4.01
Other Loans and Advances	5,882.88	3.22
Total	182,569.74	100

(1) Loans guaranteed by the Government were Rs. 46,017.36 million.

Unsecured Loans

Our unsecured loans as at March 31, 2007, 2006 and 2005, respectively, were Rs. 20,777.76 million, Rs. 20,799.88 million, and Rs. 23,862.91 million. Our unsecured loans as at June 30, 2007 were Rs. 19,746.18 million. Unsecured loans mainly include loans from foreign financial institutions such as the European Development Bank, Kreditanstalt für Wiederaufbau in Germany and SEB Enskilda Bank in Scandinavia and term loans from the Power Finance Corporation and the Government of India.

The following table presents our unsecured debt as at June 30, 2007:

(Rs. in millions)

	Amount	% of total unsecured debt
Bonds denominated in Rupees	0.00	0.00
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency (1)	11,225.88	56.85
Denominated in Rupees	8,025.00	40.64
Loan from the Government of India	495.30	2.51

	Amount	% of total unsecured debt
Total	19,746.18	**100%**

(1) Loans guaranteed by the Government were Rs. 3,393.38 million.

Advance Against Depreciation (AAD)

Advance against depreciation is a component of tariff that we are permitted to charge under CERC regulations. Our loans are generally of shorter duration compared to the technical life of our assets. Amounts paid to us in respect of depreciation on such assets are generally insufficient to cover our repayment of debts in respect of such assets. Therefore, advances against depreciation allows us to cover such shortfall. AAD is calculated assuming a 10-year loan repayment schedule or actual repayment schedule, whichever is longer. AAD is accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD is transferred to income on a pro-rata basis for the remaining useful life of the asset. Definition of useful life of the asset is governed by CERC regulations.

Current Liabilities

Our current liabilities as at March 31, 2007, 2006 and 2005, respectively, were Rs. 40,020.85 million, Rs. 31,761.72 million, and Rs. 24,652.56 million. Our current liabilities as at June 30, 2007 were Rs. 35,153.25 million. Our current liabilities include sundry creditors, advances from customers, security deposits, retention money withheld by us and other liabilities.

Current liabilities were 19.03% higher at March 31, 2005 compared to March 31, 2004, 28.84% higher at March 31, 2006 compared to March 31, 2005 and 26.00% higher in Fiscal 2007 as compared to Fiscal 2006. These fluctuations are mainly due to the commissioning of particular projects at different times of the year in different fiscal years. When projects are commissioned, the liabilities relating to them are capitalised. If commissioning occurs in the early part of a fiscal year, the related liabilities are usually paid before the end of the fiscal year. In fiscal years when current liabilities are higher, there tends to be more projects commissioned toward the end of the fiscal year, whose related liabilities have not been paid by the end of the fiscal year. Variations in the amounts of advances received under consultancy contracts also result in current liability fluctuations.

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as at March 31, 2005, 2006, 2007 and as at June 30, 2007:

(Rs. in millions)

	March 31, 2005	March 31, 2006	March 31, 2007	June 30, 2007
Claims against the Company Not Acknowledged as Debt in respect of	9,230.80	11,088.60	2,051.79	2,016.52
Arbitration/Court Cases				
Land/Crop/Tree Compensation Cases	2,582.40	2,474.10	4,534.95	4,739.42
Others	2,331.70	1,895.40	255.41	270.84
Disputed Tax Demands -Income Tax	814.50	541.00	402.49	402.49
Disputed Tax Demands – Others	1,271.40	1,279.60	1,691.22	1,761.33
Continuity Bonds with Custom Authorities	7,753.80	9,435.40	9,815.40	8,207.30
Others	465.50	1,404.00	752.58	1,037.06
Total	**24,450.10**	**28,118.10**	**19,503.84**	**18,434.96**

Contingent liabilities increased from Rs. 24,450.10 million as at March 31, 2005 to Rs. 28,118.10 million as at March 31, 2006. The main reasons for these increases in contingent liabilities were increases in our estimates of potential litigation losses, and increases in bonds given to custom authorities to secure the early release of imported HVDC equipment, telecom equipment and other items. Contingent liabilities decreased by 30.64% in Fiscal 2007, to Rs. 19,503.84 million compared to Fiscal 2006 primarily due to settlement of long standing arbitration cases. Contingent liabilities as at June 30, 2007 were affected by a decrease in the amount payable for continuity bonds with custom authorities during this period.

Contractual Obligations and Commercial Commitments

As at June 30, 2007, our contractual obligations and commercial commitments consisted principally of the following, classified by maturity:

(Rs. in millions)

Payment by period	2007-08	2008-09	2009-10	2010-11	2011-12	Beyond 2011-12	Total
Long-term debt	8,991.26	11,409.97	12,727.33	16,496.63	18,242.79	126,947.94	194,815.92
Short-term debt	7,500.00	-	-	-	-	-	7,500.00
Guarantees	77.44	759.47	41.63	-	-	-	878.54

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is Rs. 63,507.68 million.

Market Risk

Foreign Currency Exchange Rates

While our principal revenues are in Rupees, we have borrowed funds from outside India in foreign currencies, principally U.S. Dollars, Euros, Swiss Francs, Swedish Kroner, Japanese Yen and British Pounds Sterling. Principal and interest payments on these borrowings are denominated in the respective foreign currencies. As at June 30, 2007, we had Rs. 60,596.94 million equivalent of foreign currency borrowings outstanding.

Under the tariff regulations for Fiscal 2005-2009 in respect of our transmission business, losses due to fluctuations in exchange rates for offshore borrowings are recoverable through our tariffs. Since the current tariff regulations allow us to recover such losses, we do not currently hedge our foreign currency exposure. However, we cannot assure you that in the future tariff regulations or the GoI's tariff policy will not change, and prohibit us from recovering such losses through our tariffs. If as a result of future changes in tariff regulations we cannot recover losses from foreign exchange rate fluctuations through our tariffs, we may use hedging arrangements, which may not fully protect us from foreign exchange exposure. In respect of our telecom business, losses from foreign exchange fluctuations are not "pass through/recoverable". For our telecom business, we have taken out a loan from the World Bank totaling US$ 76.73 million which has not been hedged.

Our results of operations are affected by the application of Clause 4(e) of Indian Accounting Standard 16, which states that, under Indian GAAP, borrowing cost may include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. Adjustment to the interest costs is calculated as the exchange difference on the foreign currency borrowings to the extent of the difference between interest on local currency borrowing and interest on foreign currency borrowing. If this difference is equal to or more than the exchange difference on the amount of principal of the foreign currency borrowings, the entire amount of exchange difference is covered under borrowing cost. If this difference is less than the exchange difference on the amount

of principal of the foreign currency borrowings, the balance amount would be treated as exchange rate variation and will be accounted in the profit and loss account. As at June 30, 2007, the favourable US Dollar, Swiss Francs and other currencies to Rupee exchange rate resulted in adjustments in our interest costs, leading to a reduction of Rs. 1,983.40 million in interest and finance charges.

Interest Rates

Under the current tariff regulations, interest costs are recoverable through our tariffs. To the extent we incur debt with variable interest rates, we may be exposed to increased/decreased interest costs which are also reimbursed/passed by/to SEBs through supplementary claims.

The majority of our long term borrowings are fixed interest rate borrowings and therefore we do not hedge against interest rate fluctuations. We are subject to risks arising from changes in interest with respect to interest on working capital. Recovery of interest on working capital is based on norms fixed by CERC. If interest rates on working capital loans were to rise, we might be unable to recover a portion of the increase in interest costs through our tariffs. In respect of loans taken for our telecom segment, interest costs are not "pass through/recoverable". These loans have not been hedged.

ANALYSIS OF CERTAIN CHANGES

Significant developments after June 30, 2007 that may affect the future of our operations

Since June 30, 2007, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future periods:

- In our Annual General Meeting held on August 14, 2007, shareholders gave approval to transfer the Faridabad and Kayamkulam switchyard, which we currently operate, to the National Thermal Power Corporation.
- We have submitted an Expression of Interest to the Power Sector Assets and Liabilities Management Corporation ("PSALM") of the Philippines in respect of their invitation to bid for the privatization by way of concession of the facilities and assets of the National Transmission Corporation of the Philippines. We are in the preliminary stage of this process, however, should we qualify to participate in the bidding process and decide to make a bid we, along with our consortium partners, would be required to post USD 30 million bid bond in the form of an irrevocable confirmed standby letter of credit with PSALM.

Unusual or infrequent events or transaction

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years.

Significant economic changes

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "Factors Affecting our Results of Operations" and the uncertainties described in the section entitled "Risk Factors" beginning on page xi of this Red Herring Prospectus. To our knowledge, except as we have described in this Red Herring Prospectus, there are no known factors which we expect to bring about significant economic changes.

Known trends or uncertainties

Our business has been affected, and we expect to continue to be affected, by the trends identified above in "Factors Affecting our Results of Operations" and the uncertainties described in the section entitled "Risk Factors" beginning on page xi of this Red Herring Prospectus. To the best of our knowledge and belief, except as we have described in this Red Herring Prospectus, there are no known factors which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between expenditure and revenues

Except as described in "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to the best of our knowledge and belief there is no

future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Increase in our revenue

We anticipate commissioning additional transmission lines and substation facilities which will add to our capacity and to our ability to generate revenue. For more details please refer to the section titled "Our Business".

Significant regulatory changes

Except as described in the section titled "Regulations and Policies" beginning on page 92 of this Red Herring Prospectus there have been no significant regulatory changes that we expect could affect our income from continuing operations.

New products or business segments

We shall be on a look out to explore other business opportunities, which allow us to leverage on our transmission business.

Seasonality of business

Our income is not subject to significant seasonality.

Dependence on few customers

As described above, we derive our revenues primarily from the transmission of power from generators to state electricity boards and other entities. These customers are few in number.

Competitive conditions

We expect to face the competitive conditions described in "Our Business – Competition" and in the section entitled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors and our Subsidiaries, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us, our Directors and our Subsidiaries, as of the date of this Red Herring Prospectus.

Our Company, our Directors and our Subsidiaries are not on the list of wilful defaulters of the RBI.

Set for the below are details of the significant outstanding or pending litigations against the Company and details of proceedings filed by the Company, i.e., details of all the proceedings involving claims exceeding a monetary value of Rs. 5 million in compensation cases for displacement of trees, crops or houses and Rs. 2.50 million in other cases. However, details of all the public interest litigation, environmental cases, regulatory cases, tax and criminal proceedings against the Company are profiled below.

I. Litigation against our Company:

A. Contingent liabilities not provided for as of June 30, 2007:

As of June 30, 2007, the contingent liabilities not provided for and appearing in our restated unconsolidated financial statements are as follows:

(Rs. in millions)

Particulars	June 30, 2007
Claims against the Company Not Acknowledged as Debt in respect of	
Arbitration/Court Cases	2,016.52
Land/Crop/Tree Compensation Cases	4,739.42
Others	270.84
Disputed Tax Demands -Income Tax	402.49
Disputed Tax Demands – Others	1,761.33
Continuity Bonds with Custom Authorities	8,207.30
Others	1,037.06
Total	**18,434.96**

B. Pending litigation against our Company:

1. Criminal Cases

There are eight criminal cases pending against our Company or in which our employees are involved in an official capacity. The details of these cases are set forth below.

(i) The District Labour Officer, Bhubaneswar has filed a criminal case before the Sub-Divisional Judicial Magistrate, Bhubaneswar (CC No.306/1994) against our Company through Deputy General Manager and another. It is alleged that our Company has violated Section 17 A of the Industrial Disputes Act, 1947 by failing to implement the Labour Court's order in case no. 69/92, to reinstate a workman with full back wages. The complainant has prayed that our Company be tried and punished under Section 29 of the Industrial Disputes Act, 1947. The complaint is currently pending.

(ii) Mr. R.K. Singh has filed a criminal complaint before the Chief Judicial Magistrate, Patna (CC No. 299 (C)/2005) against a partner of M/s. Shree Ram Constructions ("SRC"), our contractor. It is alleged that the cheque issued to complainant by the partner, SRC for a sum of Rs. 0.13 million towards his outstanding salary was dishonoured. It is further alleged that the accused misappropriated the money of the complainant and our Company is under legal obligation to pay the complainant's outstanding salary as a principal employer. Accordingly, the complainant has impleaded our general manager employed at Pusauli, Bihar as a co-accused. The complaint has been instituted in relation to the commission of offences under Sections 406, 420, 227 and 468 of the Indian Penal Code, 1860 and Section 138 of the Negotiable Instruments Act, 1881. The complainant has prayed for taking cognizance of the offence and to summon the accused for the trial. The complaint is currently pending.

(iii) Mr. Surendra Kumar has filed a criminal complaint before the Chief Judicial Magistrate, Nalanda (CC No. 131 (C)/2005) against six employees of our Company in relation to the alleged commission of offences under Sections 303, 307, 319 and 34 of the Indian Penal Code, 1860. It is alleged that the complainant was attacked with an intention to cause death while he had gone to meet the chief manager of our Company. It is further alleged that his money and personal belongings were forcibly taken away from him. The complainant has prayed for appropriate legal proceedings to be instituted against the accused. The complaint is pending.

(iv) Our chief manager Mr. G.C. Dhal filed a FIR before Jaipatna police station for theft of certain materials from the campus of Indravati sub-station. The inquiry officer submitted a final report on December 17, 1999 before the sub-divisional judicial magistrate, Dharamgarh mentioning that the case filed was false and prayed for an order to submit a preliminary report under Section 211 of Code of Criminal Procedure, 1973 against Mr. G.C.Dhal for submitting a false report at the police station. The matter is currently pending.

(v) Mr. Lakhan Lal Sahu filed a criminal complaint before Judicial Magistrate, Vaidhan against our Senior Engineer, S.C. Bisht alleging commission of offences under Sections 323, 294 and 506 of the Indian Penal Code, 1860 relating to alleged obscene acts, causing hurt and criminal intimidation received from our employee during construction of Vindhyachal-Satna transmission line passing through the land of the complainant. The matter is pending for submission of evidence.

(vi) The Labour Inspector, Sidhi filed a complaint before the Judicial Magistrate and Labour Court, Sidhi against our contractor FE Engineering and Consultancy Company Limited and our Senior Engineer Mr. Mohinder Singh in relation to the alleged non-compliance of the registration provisions of the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 by the contract who was engaged by us for the development of the telecom link between Delhi and Mumbai. The court imposed a penalty in the form of a fine on the contractor. The matter is pending final disposal.

(viii) The Labour Enforcement Officer, Mapusa has initiated criminal proceedings against our additional general manager, Mr. R.K. Singh before the Judicial Magistrate, Mapusa for alleged non-compliance of the registration provisions of the Contract Labour (Regulation and Abolition) Act, 1970 in relation to certain consultancy projects being undertaken by our Company under the APDRP scheme. Our Company has filed a reply to the criminal complaint. The matter is pending before the Judicial Magistrate, Mapusa.

(viii) The Labour Enforcement Officer, Mapusa has initiated criminal proceedings against our additional general manager, Mr. R.K. Singh before the Judicial Magistrate, Mapusa for alleged non-compliance of the registration provisions of the Inter-State Migrant Workers (Regulation of Employment and Conditions of Service) Act, 1979 and the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Central Rules, 1980 in relation to certain consultancy projects being undertaken by our Company under the APDRP scheme. Our Company has to file a reply to the criminal complaint. The matter is pending before the Judicial Magistrate, Mapusa.

2. Company Law Proceeding

(i) Hind Galvanising and Engineering Company Limited ("HGECL") filed a petition in the High Court of Delhi, (Company Petition no. 101/1992) against National Thermal Power Corporation Limited ("NTPC") praying for orders to be issued to wind-up NTPC on account of its alleged failure to pay a sum of Rs. 4.29 million to HGECL. It is alleged that the aforesaid sum was the retention money payable to the petitioner under Memorandum of Settlement dated August 5, 1988 ("MOS") for execution of various works and supply of transmission lines and other accessories in respect of construction of 400 KV transmission lines associated with Korba-Bhilai transmission system. Subsequently, HGECL filed an application (C.A No. 746/1993) before the High Court for impleading our Company as a party to the winding-up petition and to consequently wind-up our Company on the ground that we were the successor-in-interest of NTPC (pursuant to the transfer of transmission assets from NTPC to our Company) and were liable with respect to the said amount. The High Court by its order dated January 9, 1995 allowed the application for impleading us as a party, against which we filed an appeal before the Division Bench of the High Court. The Division Bench by its order dated March 28, 1995 stayed the winding-up proceedings against our Company till the issuance of further orders.

HGECL has also filed a suit in the High Court of Calcutta (No. 584/1992) against NTPC for recovery of Rs. 4.53 million towards the retention money payable under the MOS. Our Company was impleaded as defendant to this suit on June 14, 1993 and we subsequently filed an application under Section 34 of the Arbitration Act, 1940 for referring the dispute in relation to retention money for arbitration proceedings which had already been instituted with respect to certain other disputes under the MOS. The application and the suits are currently pending.

As stated above, arbitration proceedings had also been initiated between the parties in relation to certain other disputes under the MOS. The arbitral tribunal gave its award on September 29, 2001 and held that our Company was entitled to recover a sum of Rs. 17.6 million from HGECL. The award has been filed before the Delhi High Court and is pending execution.

3. Public Interest Litigations

(i) Ms. Madhu Barua has filed a public interest litigation (No. 11249/2001) against Haryana Urban Development Authority (HUDA), our Company and others including our Chairman and Managing Director. Our Company was allotted 22 acres of land in Sector 43, Gurgaon by HUDA for the purpose of building a township. It is alleged that our Chairman and Managing Director convinced our management to transfer a part of the aforesaid land to Power Welfare Organisation ("PWO"), pursuant to which 9.99 acres of the land was allotted to PWO. The applicant has claimed that our Chairman and Managing Director was not authorised to transfer, sell or alienate the aforesaid land which was vested with our Company and therefore, the transfer was unauthorized and illegal. It is further alleged that PWO has not made any payment for the land allotted to

it by our Company. The petitioner has prayed for quashing the allotment of land to PWO and for directing PWO to hand over the possession of the land to our Company. The matter is pending and no order has been issued so far.

(ii) Vanasuma Foundation has filed a writ petition before the High Court of Karnataka, Bangalore (WP No. 10235 of 2006) against our Company alleging that transmission lines of our Company were detrimental to the big banyan tree which is of historical value located in the vicinity. It is further alleged that the construction activities by our Company for laying of 400 KVA extra high tension wires is endangering environmental and ecological balance around Ramohalli region. The petitioner has prayed for an appropriate writ directing our Company to lay the transmission lines in such a way that a minimum distance of one kilometre is maintained from the tree. The matter is pending adjudication.

(iii) Mr. Debesh Das has filed a public interest litigation before the High Court of Orissa, Cuttack (W.P(C) No. 4437/2003) against National Thermal Power Corporation Limited and others including our Company challenging the decision of the respondent to regulate power supply to Grid Corporation of Orissa Limited ("GRIDCO") with effect from May 1, 2003 as arbitrary, illegal and violative of Article 14 of the Constitution and also in violation of the tripartite agreement between GRIDCO, GoI and MoF. The petitioners has prayed for a direction to issue *rule nisi* calling upon the opposite parties to show cause why the decision of the National Thermal Power Corporation Limited to regulate power supply should not be declared illegal and operative. Our Company is responsible for the transmission of power from the generation station of National Thermal Power Corporation Limited to GRIDCO and accordingly we have been impleaded as a party to the litigation. The matter is currently pending.

(iv) Mr. S.P. Anand has filed a writ petition (WP No. 354 of 2003) before the High Court at Indore against our Company and others. The petitioner has prayed for urgent steps to be undertaken to enhance power generation in Madhya Pradesh in order to meet its present and future needs. The matter is pending adjudication.

4. Claims/Notices from Statutory Authorities

(i) The Sub-Divisional Officer ("SDO") Mohania by his order dated February 27, 2003 held that the nature of land for our Pusauli sub-station had changed from agricultural to commercial since January 2000 and hence, we were liable to pay Rs. 1.14 million in commercial tax under Section 23 of Bihar Kastkari Act for the years 2000-2001 to 2002-2003. The Collector, Kaimur by his order dated March 6, 2006 upheld the aforesaid order against which we have filed a writ petition before the High Court of Patna. The petition is pending.

(ii) The Chief Executive Officer Dehegam Municipality served a notice on our Company on February 15, 2007 demanding payment of Rs. 9.34 million towards education cess together with penal interest. In response to the demand notice, our Company made a representation before the Secretary, Urban Development, Government of Gujarat for correct assessment of the cess levied as well as for the waiver of the penal interest. The matter is pending.

(iii) The District Collector, Gandhinagar by his letter dated January 3, 2007 demanded a sum of Rs. 7.3 million for commercial use of our property at Dehgam sub-station under various heads like non-agricultural assessment, local funds and education cess. The matter is pending adjudication before the Collector.

(iv) The Chief Municipal Officer, Kumbhari Municipality by his letter dated September 26, 2006 has asked our Company to pay property tax amounting to Rs. 1.88 million in relation to our Raipur sub-station. The matter is pending.

(v) The Labour Commissioner, Indore has sought the report of the construction cost documents and details in respect of the Building and Construction Workers Act, 1996 for payment of 1% cess amount on the construction cost of the projects under construction. The Company has filed it report and has sought an extension of date for some of its construction agencies. The labour commissioner has agreed for the same and the next date will be informed accordingly.

5. Environmental Litigation

We are required to make interim applications under Writ Petition No. 202 of 1995 for erection of transmission lines in areas designated as sanctuaries or national parks. In addition to these interim applications filed by us in the ordinary course of our business, there is one case relating to an environmental matter pending against our Company.

(i) Mr. Jaya Prakash Dabral has filed an interim application before the Supreme Court (I.A.No.819/2002 in Writ Petition (Civil) No. 202 of 1995) alleging that our Company has not adopted the scientific system of route selection for setting up the transmission system from Tehri to Mator, which was resulting in environmental damage. The applicant has also alleged that our Company has violated the guidelines of MoEF in laying transmission lines. The applicant has prayed for a direction to our Company to re-align the route of power transmission lines between Tehri and Rishikesh and to lay the transmission lines as per up to date technology to reduce environmental damages. The application is currently pending.

6. Land Acquisition Cases

There are 608 cases pending before various forums with respect to disputes concerning the acquisition of land acquired by our Company for the purpose of establishing various sub-stations across the country. These cases have been initiated by the land oustees primarily for enhancement of the compensation determined by the land acquisition officer ("LAO") under the Land Acquisition Act, 1894. These cases also include few execution petitions that have been filed by land oustees for disbursement of compensation awarded to them. The aggregate value of the claims against us in these cases is approximately Rs. 2,617.64 million plus any interest payable on the same. The details of the land acquisition cases for each of our sub-stations are set forth below.

(i) <u>Kanpur sub-station</u>

There are four appeals pending before the High Court of Allahabad in relation to land measuring approximately 186 acres which was acquired for the purpose of our sub-station located at Kanpur. The Special Land Acquisition Officer ("SLAO") acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the SLAO challenging the compensation awarded to them, which were then referred to the District Court, Kanpur. Acting on these objections, the Additional District Judge issued directions for the enhancement of compensation payable to the land oustees, which aggregates to an approximate amount of Rs. 54.58 million. On an appeal preferred by our Company, the High Court of Allahabad has stayed the order of the Additional District Judge. We have however been issued directions by the High Court to pay fifty percent of the enhanced

compensation and furnish security for the rest of the amount, which we have complied with. The appeals are currently pending final disposition.

(ii) Agra sub-station

There are five references pending before the District Court, Agra in relation to land measuring approximately 29 acres which was acquired for the purpose of our sub-station located at Agra. The SLAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the SLAO challenging the compensation awarded to them, which were then referred to the District Court, Agra. The enhancement of compensation claimed aggregates to approximately Rs. 15.55 million. The matters are currently pending final disposition before the Additional District Judge, Agra.

(iii) Ballabhgarh sub-station

There are 19 appeals pending before the High Court of Punjab and Haryana, Chandigarh in relation to land measuring approximately 84 acres which was acquired for the purpose of our sub-station located at Ballabhgarh. The Land Acquisition Collector ("LAC") acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAC challenging the compensation awarded to them, which were then referred to the District Court, Faridabad. Acting on these objections, the Additional District Judge, Faridabad enhanced the compensation payable to the land oustees. The land oustees have gone in appeal to the High Court of Chandigarh against the order of the Additional District Judge, Faridabad for further enhancement of the compensation. The total claim against our Company in relation to these disputes aggregates to approximately Rs. 430 million. Our Company has filed counter appeals challenging the appeals for further enhancement of compensation. The cases are pending final disposition.

(iv) Bassi sub-station

There are nine appeals pending before the High Court of Jaipur in relation to land measuring approximately 88 acres which was acquired for the purpose of our sub-station located at Bassi. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed objections before the LAO challenging the compensation awarded to them, which were then referred to the District Court, Jaipur. Acting on these objections, the Civil Judge (Senior Division) enhanced the compensation payable to the land oustees which aggregates to approximately Rs. 0.8 million. On an appeal preferred by our Company, the High Court of Jaipur has stayed the operation of the order the Civil Judge (Senior Division). We have however been issued directions by the High Court to pay fifty percent of the enhanced compensation. Our Company has complied with the directions of the High Court. The appeals are currently pending final disposition.

(v) Meerut sub-station

There are 173 appeals pending before the High Court of Allahabad in relation to land measuring approximately 185 acres which was acquired for the purpose of our sub-station located at Meerut. The SLAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to

the land oustees. The land oustess filed individual objections before the SLAO challenging the compensation awarded to them, which were then referred to the District Court, Meerut. Acting on these objections, the Additional District Judge enhanced the compensation payable to the land oustees which aggregates to a total amount of Rs. 136.15 million. On an appeal preferred by our Company, the High Court of Allahabad has stayed the operation of the order the Civil Judge (Senior Division). We have however been issued directions by the High Court to pay fifty percent of the enhanced compensation. Our Company has complied with the directions of the High Court. The appeals are currently pending final disposition.

(vi) Mandola sub-station

There are 88 appeals pending before the High Court of Allahabad and three references pending before the Additional District Judge, Ghaziabad in relation to land measuring approximately 143 acres which was acquired for the purpose of our sub-station located at Mandola. The SLAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the SLAO challenging the compensation awarded to them, which were then referred to the District Court, Ghaziabad. Acting on these objections, the Additional District Judge enhanced the compensation payable to the land oustees in 88 cases. There are 3 cases of enhanced compensation which are still pending before the Additional District Judge. The enhanced compensation aggregates to approximately Rs. 31.79 million. On an appeal preferred by our Company, the High Court of Allahabad has stayed the operation of the order the Additional District Judge. We have however been issued directions by the High Court to pay fifty percent of the enhanced compensation. Our Company has complied with the directions of the High Court. The appeals are currently pending final disposition.

(vii) Khaileriate Sub-station (Shillong)

There is one reference pending before Special Judicial Officer, Shillong in relation to land measuring approximately 6.02 acres which was acquired for the purpose of our Khaileriate sub-station. The Government of Meghalaya acquired the land on behalf of our Company under the Land Acquisition Act, 1894 and fixed Rs. 2.83 million as compensation to the land oustee, which we have paid. Subsequently, the land oustee filed a petition for referring the matter to the Reference Court for further enhancement of compensation. The Reference Court enhanced the compensation by Rs 1.92 million, against which we went in appeal to the High Court of Guwahati, since we were not made a party to the reference. The High Court by its order dated July 4, 2005 remanded the matter to the Reference Court with a direction to implead us as a party and give us a hearing. The enhanced compensation claimed against us is approximately Rs. 6.67 million. The reference is currently pending final disposition.

(viii) Kaithal sub-station

There are 12 appeals pending before the High Court of Punjab and Haryana in relation to land measuring approximately 49.74 acres which was acquired for the purpose of our Kaithal sub-station. The Land Acquisition Collector ("LAC") acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were then referred to the District Court. Acting on these objections, the Additional District Judge enhanced the compensation payable to the land oustees. Our Company has preferred six appeals against the orders of the Additional District Judge before the

High Court of Punjab and Haryana, which directed us to deposit the amount with the District Court. Our Company has complied with the order of the High Court. The land oustees have also appealed against the orders of the Additional District Judge for further enhancement of compensation. The enhanced compensation claimed against us is approximately Rs. 2.83 million plus interest on the said amount. The appeals are currently pending final disposition.

(ix) Abdullapur sub-station

There are 18 appeals pending before the High Court of Punjab and Haryana in relation to land measuring approximately 54.53 acres which was acquired for the purpose of our sub-station located at Abdullapur. The Land Acquisition Collector ("LAC") acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were then referred to the District Court. Acting on these objections, the Additional District Judge issued directions for the enhancement of compensation payable to the land oustees. Our Company preferred appeals against the order of the Additional District Judge before the High Court of Punjab and Haryana which has directed us to deposit the amount with the District Court, which our Company has complied with. The land oustees have also appealed against the orders of the Additional District Judge for further enhancement of compensation. The enhanced compensation claimed against us is approximately Rs. 27.40 million plus interest on the said amount. The appeals are currently pending final disposition.

(x) Moga sub-station

There is one appeal pending before the High Court of Punjab and Haryana in relation to land measuring approximately 1.85 acres which was acquired for the purpose of our sub-station located at Moga. The Land Acquisition Collector ("LAC") acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were then referred to the District Court. The District judge dismissed the demand for the enhanced compensation. The land oustee has appealed against the order of the District Judge before the High Court of Punjab and Haryana. The enhanced compensation claimed against us is approximately Rs.4.10 million plus interest on the said amount. The appeal is currently pending final disposition.

(xi) Nalagarh sub-station

There are 24 appeals pending before the High Court of Punjab and Haryana in relation to land measuring approximately 89 acres which was acquired for the purpose of our sub-station located at Nalagarh. The appeal is only for solatium at the rate of 30% on the cost of the land. The amount claimed against us is approximately Rs. 1.65 million. Out of these 24 cases, we are in the process of settling 10 disputes and in this process have paid an amount of Rs. 4.67 million to the oustees and the next date of hearing is August 24, 2007.

(xii) Fatehabad sub-station

There are 13 references pending before the Additional District Judge, Fatehabad in relation to land measuring approximately 38.33 acres which was acquired for the purpose of our sub-station located at Agra. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of

compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the District Court, Agra. The enhancement of compensation claimed aggregates to approximately Rs. 1514.33 million. The matters are currently pending final disposition before the Additional District Judge, Agra.

(xiii) Hyderabad sub-station

There are 11 special leave petitions pending before the Supreme Court in relation to land measuring approximately 137.28 acres which was acquired for the purpose of our sub-station located at Hyderabad. The LAO acquired these lands on behalf of National Thermal Power Corporation Limited under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAO challenging the compensation awarded to them, which were then referred to the Court of the Principal Senior Civil Judge, Rangareddy district. Acting on these objections, the Principal Senior Civil Judge issued directions for the enhancement of compensation payable to the land oustees from Rs. 3,520 to Rs. 20,000 per acre and interest to be paid at the rate of 12% on the additional market value of the land from the date of taking over possession of the land till the date of the award. On appeals preferred by the state department, the High Court of Andhra Pradesh confirmed the enhancement of compensation determined by the civil court. However the High Court modified the order of the civil court to the extent that the interest on the additional market value would be payable from the date of taking over possession of the land till the date of the notification under the Land Acquisition Act, 1894. Our Company, being the successor-in-interest of the sub-station has paid the amount claimed as enhancement of compensation and interest, except to the extent of Rs. 0.25 million which is yet to be claimed by certain land oustees. Aggrieved by the order of the High Court, the state department filed the special leave petitions before the Supreme Court which have been admitted for hearing. Our Company made an application for impleadment, which was also admitted. The appeals are currently pending final disposition.

(xiv) Vijayawada sub-station

There are 44 appeals pending before the High Court of Andhra Pradesh in relation to land measuring approximately 101.9 acres which was acquired for the purpose of our sub-station located at Vijayawada. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. 44 objections were filed by the land oustees before the LAO challenging the compensation awarded to them, which were then referred to the District Court, Vijayawada. Acting on these objections, the Additional Senior Civil Judge issued directions for the enhancement of compensation payable to the land oustees, which aggregates to an approximate amount of Rs. 7.62 million. On the appeals preferred by our Company, the High Court of Andhra Pradesh has stayed the execution of the orders of the Additional District Judge. We have however been issued directions by the High Court to pay one-third of the enhanced compensation, which we have complied with. The appeals are currently pending final disposition.

(xv) Trivandrum sub-station

There are 27 petitions pending before the Subordinate Court, Trivandrum in relation to land measuring approximately 56.79 acres, which was acquired for the purpose of our Trivandrum sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation

payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Sub Court, Attingal. The aggregate value of the claims against our Company is approximately Rs. 115.6 million. The petitions are currently pending final disposition.

(xvi) Kozhikode sub-station

There are four petitions pending before the Subordinate Court in relation to land measuring approximately 5.37 acres which was acquired for the purpose of our Kozhikode sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Sub Court, Majeri. The aggregate value of the claims against our Company is approximately Rs. 19.2 million. The petitions are currently pending final disposition.

(xvii) Hosur sub-station

There are 30 petitions pending before the Subordinate Court in relation to land measuring approximately 61.41 acres which was acquired for the purpose of our Hosur sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Sub Court, Hosur. The aggregate value of the claims against our Company is approximately Rs. 54.2 million. The petitions are currently pending final disposition.

(xviii) Purnea sub-station

There is 1 appeal pending in the High Court of Patna in relation to land measuring approximately 6.02 acres which was acquired for the purpose of our Purnea sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustee. The land oustee filed an individual objection challenging the compensation awarded to her, which was then referred to Land Acquisition Judge, Purnea who enhanced the compensation to approximately Rs. 4.15 million. The LAO further referred the matter to the sub-divisional officer, Purnea for recovery of the aforesaid amount under the Certificate Act. The proceeding before the sub-divisional officer is pending. We have also preferred an appeal against the order of the Land Acquisition Judge before the single judge bench of the High Court of Patna which upheld the enhanced compensation. Against this we have filed an appeal before the division bench that is currently pending.

(xix) Arah sub-station

There are 4 references pending before Sub-Judge, Arah in relation to land measuring approximately 0.25 acres which was acquired for the purpose of our Arah sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Sub-Judge, Arah. The compensation claimed against us aggregates to approximately Rs.26.55 million. The matters are currently pending final disposition before Sub Judge, Arah.

(xx) Pusauli sub-station

There are 43 references pending before Sub Judge, Bhabua in relation to land measuring approximately 97.79 acres which was acquired for the purpose of our Pusauli sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Sub-Judge Bhabua. The compensation claimed against us aggregates to approximately Rs.45.40 million. The matters are currently pending final disposition before Sub Judge, Bhabua.

(xxi) Nagda sub-station

There are six appeals pending before the High Court of Madhya Pradesh, Indore bench and two references pending before the Additional District Judge, Nagda and Khachroad in relation to land measuring approximately 86.03 acres which was acquired for the purpose of our Nagda sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Khachroad. Acting on these objections, the Additional District judge enhanced the compensation payable to the land oustees against which the land oustees have gone in appeal before the High Court of Madhya Pradesh, Indore bench for further enhancement of compensation. The total claim against our company in relation to these disputes aggregates to approximately Rs.4.79 million. The two references pending before the Additional District Judge are for correction of the revenue records. The appeals are currently pending final disposition.

(xxii) Jabalpur sub-station

There is one appeal pending before the High Court of Madhya Pradesh, Jabalpur in relation to land measuring approximately 49.28 acres which was acquired for the purpose of our Jabalpur sub-station. The LAO acquired these lands for our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Jabalpur. Acting on these objections, the Additional District judge enhanced the compensation payable to the land oustees against which we have gone in appeal before the High Court of Madhya Pradesh at Jabalpur. The total claim against our Company in relation to these disputes aggregates to approximately Rs. 5 million. There is also an appeal pending before the District Judge, Jabalpur for apportionment of the compensation to the rightful owner.

(xxiii) Satna sub-station

There are three appeals pending before the High Court of Madhya Pradesh, Jabalpur in relation to land measuring approximately 5.97 acres which was acquired for the purpose of our Satna sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the District Judge, Satna. Acting on these objections, the District judge, Satna enhanced the compensation payable to the land oustees against which the land oustees have gone in appeal before the High Court of Madhya Pradesh, Jabalpur for further enhancement of compensation. The total claim against our company in relation to

these disputes aggregates to approximately Rs. 8.29 million. The appeals are currently pending final disposition.

(xxiv) Raipur sub-station

There is a writ petition pending before the High Court of Chattisgarh, Bilaspur challenging the land acquisition process in relation to land measuring approximately 0.91 acres and also a civil suit before the Civil Judge, Class II, Durg challenging the land acquisition in relation to land measuring approximately 7.54 acres which was acquired for the purpose of our Raipur sub-station. The total claim against our company in relation to these disputes aggregates to approximately Rs. 0.06 million. The matters are currently pending final disposition.

(xxv) Bhadrawati sub-station

There is a matter pending before the Civil Judge (Senior Division), Chandrapur praying for the acquisition of his remaining land measuring approximately 0.84 acres for the purpose of our Bhadrawati sub-station. The amount claimed against our Company aggregates to approximately Rs. 10.90 million. The matter is currently pending final disposition.

(xxvi) Damoh sub-station

There is a suit for permanent injunction pending before the Civil Judge, Class-II, Damoh in relation to land measuring approximately 16.37 acres which was acquired for the purpose of our Damoh sub-station. The LAO has acquired the land on behalf of our Company under the Land Acquisition Act, 1894. The plaintiff has prayed for a declaration and for a permanent injunction restraining us from carrying out any construction work at our sub-station. The suit is pending.

(xxvii) Seoni sub-station

There are 20 references pending before the Additional District Judge, Seoni in relation to land measuring approximately 73.95 acres which was acquired for the purpose of our Seoni sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Additional District Judge, Seoni. The total claim against our company in relation to these disputes aggregates to approximately Rs. 35.73 million. The references are currently pending final disposition.

(xxviii) Khandwa sub-station

There is one reference pending before the Additional District Judge, Khandwa in relation to land measuring approximately 2.51 hectares which was acquired for the purpose of our Khandwa sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustee. The land oustee filed objection before the LAO challenging the compensation awarded to him, which was then referred to the Additional District Judge, Khandwa. The total claim against our company in relation

to this disputes aggregates to approximately Rs. 1.86 million. The references are currently pending final disposition.

(xxix) Banala sub-station

There is one writ petition pending before the High Court, Himachal Pradesh in relation to land measuring approximately 38 bigha and which has been notified for acquisition for the purpose of our Banala sub-station. The land oustees have claimed that the proposed acquisition of the said land is malafide and without any public interest and have prayed for a stay on the acquisition proceeding during the pendency of the suit.

(xxx) Ludhiana sub-station

There are four references pending before the Additional District Judge, Ludiana in relation to land measuring approximately 85 Kanal and 40 Marla which was acquired for the purpose of our Ludhiana sub-station. The LAO acquired these lands on behalf of our Company under the Land Acquisition Act, 1894 and fixed the rate of compensation payable to the land oustees. The land oustess filed individual objections before the LAO challenging the compensation awarded to them, which were then referred to the Additional District Judge, Ludhiana. The total claim against our company in relation to these disputes aggregates to approximately Rs. 18.98 million with interest. The references are currently pending final disposition.

7. Compensation cases for displacement of trees, crops or houses

There are 2,472 cases pending against our Company in various courts relating to enhancement of compensation claimed by owners of trees, crops or houses through which our transmission lines pass. These cases have been initiated primarily for enhancement of the compensation for the loss of trees, crops or houses of the claimants. Out of these cases 1,120 and 1,115 cases have been filed for enhancement of compensation in relation to Kayamkulam transmission system and Madurai-Trivandrum transmission line in Kerala. These cases also include certain suits filed by individuals who have been denied compensation on the ground that they did not have a valid title over the land, trees and crops through which our transmission lines pass. The total compensation claimed in these cases aggregates to approximately Rs. 3,087.56 million plus any interest payable on the same. In some of these cases, we have appealed against the order of enhancement of compensation granted by lower courts. Certain of the material cases in this regard are as follows:

(i) Mr. Ramesh Chand has filed a petition before the District Magistrate, Haridwar against our Company (No. 4 of 2004). The petitioner claims to be the owner of certain tress standing on survey no. 172 and 175 Ibrahimpur, Haridwar, which were required to be cut for erection of 800 KV Tehri-Meerut transmission lines. The petitioner has further alleged that the valuation of tress undertaken on our behalf by the conservator of forests is lower than their actual value. The petitioner has prayed for setting aside the valuation carried out by the conservator and accordingly for enhanced compensation amounting to Rs 5.3 million. The petition is currently pending.

(ii) Mr. J. A. Majumdar has filed a petition before the District Judge, Hailakandi against our Company and others (Miscellaneous Case No. 70/2001) under Section 10 (D) and 16 (3) of Indian Telegraph Act, 1885 read with Section 42/51 of the Indian Electricity Act, 1910. The petitioner has alleged that some of his trees were cut during the laying of our transmission lines that pass through his land. The petitioner has prayed for

compensation amounting to Rs 5.36 million with interest. The petition is currently pending.

(iii) Mr. N.U. Bharbhuiya has filed a petition before the District Judge, Hailakandi against our Company and others (Miscellaneous Case No. 111/2005) under Section 10 (D) and 16 (3) of Indian Telegraph Act, 1885 read with Section 42/51 of the Indian Electricity Act, 1910 and under Section 23/24 of the Land Acquisition Act, 1894. The petitioner has alleged that most of his fruit bearing trees were cut for laying 132 KV Badarpur-Mizoram transmission lines that pass through his land and he also had to shift his residence. The petitioner has prayed for compensation amounting to Rs 5.96 million with interest. The petition is currently pending.

(iv) Arcuttipore Tea Company Limited has filed a petition before the District Judge, Cachar, Silchar against our Company and others (Miscellaneous Case No. 111/2005) under Section 16 (3) of Indian Telegraph Act, 1885. The petitioner has alleged that some of his tree bushes and shade trees were cut while erecting towers for Badarpur-Jiribum transmission line. The petitioner has further alleged that the magnetic effect of high tension lines passing through its land has reduced the yield of tree crops. The petitioner has prayed for compensation amounting to Rs 10.07 million with interest. The petition is currently pending.

(v) Mr. A.A Bharbhuiya has filed a petition before the District Judge, Hailakandi against our Company and others (Miscellaneous Case No. 84/2006) under Section 10 (D) and 16 (3) of Indian Telegraph Act, 1885 read with Section 42/51 of the Indian Electricity Act, 1910 and under Section 23/24 of the Land Acquisition Act, 1894. The petitioner has alleged that most of his fruit bearing trees were cut for laying 132 KV Badarpur-Mizoram transmission lines that pass through his land and he also had to shift his residence. The petitioner has prayed for compensation amounting to Rs 26.39 million with interest. The petition is currently pending.

(vi) Mr. A. Sattar has filed a petition before the District Judge, Hailakandi against our Company and others (Miscellaneous Case No. 85/2006) under Section 10 (D) and 16 (3) of Indian Telegraph Act, 1885 read with Section 42/51 of the Indian Electricity Act, 1910 and under Section 23/24 of the Land Acquisition Act, 1894. The petitioner has alleged that most of his fruit bearing trees were cut during laying of 132 KV Badarpur-Mizoram transmission lines that pass through his land and he also had to shift his residence. The petitioner has prayed for compensation amounting to Rs 20.47 million with interest. The petition is currently pending.

(vii) Mr. A. Khaliqe has filed a petition before the District Judge, Hailakandi against our Company and others (Miscellaneous Case No. 86/2006) under Section 10 (D) and 16 (3) of Indian Telegraph Act, 1885 read with Section 42/51 of the Indian Electricity Act, 1910 and under Section 23/24 of the Land Acquisition Act, 1894. The petitioner has alleged that most of his fruit bearing trees were cut for laying 132 KV Badarpur-Mizoram transmission lines that pass through his land and he also had to shift his residence. The petitioner has prayed for compensation amounting to Rs 18.55 million with interest. The petition is currently pending.

(viii) Mr. Mukesh and Mr. Ramesh filed two petitions before the District Judge, Sonipat (Petition Number 5/2000 and 6/2000) against our Company claiming compensation of Rs. 26.5 million plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The District Judge dismissed the petition as barred by limitation against which the plaintiffs have civil revision petitions before the High Court of Punjab and Haryana (4380/2004 and 4381/2004). The matters are currently pending adjudication.

(ix) Mr. Narayan Prasad Aggarwal and others filed a writ application (No. 19883 (W) of 1996) before the High Court of Calcutta against our Company for a writ against the installation of Rangit-Siliguri transmission lines and towers for the same and in alternate to show-cause why adequate compensation should not be paid to him. The court by its order held that the compensation has to be determined by the appropriate authority i.e. district judge in the instant case. Pursuant to this order Mr. Narayan Prasad Aggarwal and others filed an application before the District Judge, Jalpaiguri under Section 63 read with Section 10 of the Indian Telegraph Act, 1885 (25/1997) for setting aside the compensation awarded by our Company. The claim for enhanced compensation aggregates to Rs. 7.44 million. The application is pending.

(x) Toorsa Tea Company Limited Private Limited has filed a money suit before the Civil Judge (Senior Division), Alipurduar, Jalpaiguri against our Company and others (Money Suit No. 1/2005). The plaintiff has alleged that some of his tree bushes and shade trees were cut while laying Tala-Siliguri 400 KV DC transmission lines. The petitioner has prayed for compensation amounting to Rs. 11 million with interest. The suit is currently pending.

(xi) Terai Ispat Limited has filed a miscellaneous case (No. 32 of 2006) before the District Judge, Jalpaiguri against our Company under Section 10(2) read with 16 (2) of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910. The applicant claims to be the owner of 13.53 acres of land adjoining state national high way 12 which has been taken over by us for carrying out the construction on LILO of 400 KV structure at Moza Binnaguri. It is further alleged that the applicant intended setting up a steel plant on the aforesaid land and has claimed a sum of Rs. 109.6 million on account of loss due to erosion of value of land, loss of consultancy charges paid, etc. The matter is pending.

(xii) Mr. BM Desai has filed a suit (Special Suit No. 3 of 2003) against our Company before the Civil Judge (Senior Division), at Gandevi alleging that many of his trees were cut during the construction of 400 KV Gandhar-Padghe transmission lines. The plaintiff has claimed an enhanced compensation aggregating to approximately Rs. 6.28 million plus interest. The matter is currently pending adjudication.

(xiii) Ms. Leena and Ms. Shaila Prasannan has filed a petition before the District Court, Kollam (Petition Number 113/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 70,78,159 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xiv) Ms. Rahila Beevi has filed a petition before the District Court, Kollam (Petition Number 89/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 74,57,650 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xv) Ms. Girija M has filed a petition before the District Court, Kollam (Petition Number 77/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 63,90,217 plus interest on account of alleged felling of trees as well damages to

sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xvi) Mr. P. Nair has filed a petition before the District Court, Thiruvananthapuram (Petition Number 75/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 90,42,980 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xvii) Ms. V. Pillai has filed a petition before the District Court, Kollam (Petition Number 68/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 58,35,424 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xviii) Ms. Aisha Beevi has filed a petition before the District Court, Kollam (Petition Number 66/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 63,43,800 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xix) Mr. Thulaseedharan Nair has filed a petition before the District Court, Kollam (Petition Number 56/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 97,72,342 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xviii) Mr. M Johnson has filed a petition before the District Court, Kollam (Petition Number 38/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 93,16,465 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xx) Mr. Purushothaman Pillai and another have filed a petition before the District Court, Kollam (Petition Number 120/2006) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 63,77,045 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xxi) Mr. K Sai and another have filed a petition before the District Court, Kollam (Petition Number 118/2006) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 54,98,393 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xxii) Mr. Sukumaran has filed a petition before the District Court, Kollam (Petition Number 114/2006) under Section 16 of the Telegraph Act, 1885 read with Section 51

of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 59,79,931 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xxiii) Mr. Thulasedharan has filed a petition before the District Court, Kollam (Petition Number 90/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 5,722,296 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xxiv) Mr. Meenakshi Amma has filed a petition before the District Court, Kollam (Petition Number 109/2007) under Section 16 of the Telegraph Act, 1885 read with Section 51 of the Indian Electricity Act, 1910 against our Company claiming enhanced compensation of Rs. 5,167,839 plus interest on account of alleged felling of trees as well damages to sensitive crops caused due to the laying of transmission line over land owned by them. The matters are currently pending adjudication.

(xxv) East India Produce Limited has filed a suit (No. 2443 of 2007) before the High Court of Calcutta against our Company under Section 10 (d) of the Telegraph Act, 1885. East India Produce Limited has claimed an enhanced compensation of Rs. 20 million for damage caused to tea bushes and shade tree and damages for land becoming permanently unfit for tea plantation purposes by reason of 15 towers being erected for the purpose of construction of 400 kV double circuit transmission line from Sikkim to Siliguri sub-station.

8. Civil Cases

There are 188 civil cases pending in various courts against our Company. These cases primarily relate to suit for injunction, defamation, compensation (non quantifiable) for transmission lines passing through land, employment on compassionate ground, recovery of money and execution petitions. This also includes five consumer claims and a writ petition for right to be interviewed for the post of Diploma Trainee filed against us. The total amount of claims, against us aggregates to approximately Rs. 88.82 million. The cases are currently pending final disposition. The material case in this regard is described below:

(i) Mr. Surendra Mohan Singh as proprietor of M/s. Industrial Representation Company has filed a suit before the Civil Judge (Senior Division), Nagpur (CS No. 260/1998) against our Company and others. He has alleged non-payment of bills amounting to Rs. 14.50 million by our Company for the work executed by him in relation to our HVDC back- to back station at Bhadravati. The suit is pending.

(ii) Ms. Zelhousieu has filed a declaratory suit before the Additional Deputy Commissioner (Judicial), Nagaland (No. 4 of 2007) against our Company. She has claimed compensation amounting to Rs. 3.31 million for violation of human rights, mental suffering, anxiety, inconvenience and defamation caused by our Company in relation to work orders dated March 7, 1990 and April 6, 1990 for construction of residential buildings at Diampur.

9. Labour Disputes

There are 98 cases relating to labour and service matters pending against our Company, which have been filed by employees of our Company, contract labourers employed by contractors for carrying out works in our Company and labour unions, which may or may not be

registered with our Company. These cases primarily relate to disputes regarding absorption of workmen by our Company, wrongful dismissal and reinstatement to service, matters relating to transfer, promotion and extension of service and claim for fitment benefits on absorption. The cases also include two contempt petitions, one of which has been filed against our Chairman and Managing Director and Director (Personnel) and the other one has been filed against our Deputy General Manger and Senior Personnel officer for their alleged failure to comply with the court's directions in certain service related matter. The total amount of monetary claims against us aggregates to approximately Rs. 10.47 million, which does not include claims for payment of back wages. The details of material cases among these are as follows:

(i) Our Company had engaged M/s Sentinel Securities Service Limited ("Sentinel") for providing security facilities for certain of our premises pursuant to which Sentinel in turn engaged workmen to work as security guards at these premises. An industrial dispute was raised before the Industrial Tribunal by 64 of these workmen for regularization of service in our Company on the ground that the work performed by them was permanent in nature. The Industrial Tribunal, Delhi by its award dated January 9, 2002 upheld the workmen's claim for regularization with continuity in service and full back wages. Our Company filed a writ petition against the order of the Industrial Tribunal in the High Court of Delhi (WP (C) no. 3070/2002), which by its order dated November 21, 2006 set aside the award of the Industrial Tribunal. However, 25 out of the 64 workmen have filed a Letter Patent Appeal with respect to this order before a division bench of the High Court of Delhi (LPA No. 2342-66 of 2006), which is pending

In addition, five of the 64 workmen have individually approached the Labour Court, Delhi for regularization of services in our Company. We have filed the copy of the order of the High Court dated November 21, 2006 with the Industrial Tribunal with a request to close the matter. The matter is pending.

In the meanwhile we terminated our contract with Sentinel, pursuant to which some of the workmen who raised the industrial dispute filed an application under Section 33-A of the Industrial Disputes Act, 1947 against our Company before the Industrial Tribunal, Delhi and have claimed that the change in their conditions of service arising from termination of our contract with Sentinel during the pendency of the industrial dispute was illegal. However, the High Court by its order dated February 14, 2003 stayed the proceedings under Section 33-A till the disposal of the writ petition we instituted. We have filed the copy of the order of the High Court dated November 21, 2006 with the Industrial Tribunal with a request to close the matter. The matter is pending.

(ii) Our Company had engaged M/s Lion Services Limited and M/s C.B. Rechard Ellis for providing facilities for cleaning certain of our premises pursuant to which these contractors engaged workmen to work at these premises. In relation to these services, Mr. Ishwar Prasad and 23 other workmen represented by Samast Delhi Mazdoor Union raised an industrial dispute for regularization of services and absorption in our Company with effect from their initial date of appointment on the ground that they perform functions under the control and supervision of our Company and engage in work which is regular and permanent in nature. The dispute was referred for adjudication to the Industrial Tribunal, Delhi (I.D. No. 63/2002) which through an award dated February 28, 2003 dismissed the reference. Subsequently, the workmen filed a miscellaneous application in the Industrial Tribunal, Delhi (No. 8/ 2003) for setting aside the award and to restore the industrial dispute in its original position. The matter is pending..

(iii) Mr. Umed Singh filed a writ petition in the High Court of Delhi (CWP No. 3164/1994) against National Hydroelectric Power Corporation Limited and others, including our Company, alleging illegal and arbitrary termination of his services by National Hydroelectric Power Corporation Limited. He had tendered his resignation to NHPC which was accepted on January 9, 1992, which he allegedly withdrew on the same day. He has claimed that he stands permanently absorbed in our Company with effect from December 19, 1991 following the transfer of assets and associated personnel from NHPC to our Company. He claimed an amount of Rs. 6 million for wrongful termination of service by NHPC. The High Court by its order dated September 28, 1994 dismissed the petition on the ground that the petitioner had an efficacious alternate remedy to raise an Industrial Dispute under the Industrial Disputes Act, 1947. Pursuant to this order, Mr. Umed Singh instituted a claim before the Labour Court, Delhi. (Case No. 984/1996, New ID No. 307/2004). He has prayed for the issuance of directions to NHPC to quash their order accepting his resignation dated January 9, 1992 and to our Company to absorb him at a suitable grade and to pay him all consequential benefits including arrears of payment and allowances. The matter is pending.

(iv) Power Grid Employees Trade Union, N.R.-I and Mr. A. K. Garg, our chief manager, have filed a writ petition in the High Court of Delhi (W.P. (C) No. 8158-59/2005) against our Company and others. The petitioners have challenged the Power Grid Self Contributory Superannuation Benefit (Pension) Revised Scheme ("Revised Scheme") and the Power Grid Employees Contributory Family Pension Plan ("Pension Plan") on the ground that they are arbitrary and detrimental to the interests of the employees. Pursuant to an agreement with Power Grid National Bipartrite Committee on March 17, 1998 we introduced the Power Grid Self Contributory Superannuation Benefit (Pension) Scheme 2004 ("Pre-Revised Scheme") which was made compulsory to all our employees. We created Power Grid Self Contributory Superannuation Benefit Trust under the Pre-Revised Scheme and executed a trust deed in 1998 for that purpose. Subsequently, on October 1, 2004 we replaced the Pre-Revised Scheme with the Revised Scheme by incorporating certain amendments in the Pre-Revised Scheme. It is alleged that no trust deed has been executed for the revised scheme and no consent of employees has been taken before implementing the revised scheme. It is therefore alleged that the Revised Scheme is in contravention of provisions of the Indian Trust Act, 1882 and the Indian Contract Act, 1872. The petitioners have prayed for quashing the Revised Scheme and also for quashing the trust deed created under the Pre- Revised Scheme and for dissolving the trust. The petitioners have also prayed for quashing the pension plan on the ground that the same is not in pursuance to any statute hence, not binding on the employees. The High Court by its interim order dated May 10, 2005 has asked petitioners to make their contributions to the trust established in 1998. The petitioners have further filed a contempt petition in the aforesaid writ petition against our Chairman and Director (Personnel) alleging the violation of the court's interim order on the grounds that we continue to charge the petitioner's contribution under the Revised Scheme. The contempt petition is currently pending.

(v) Two writ petitions were instituted against us before the High Court of Andhra Pradesh (WP No. 21056/2004 and 4760/2005) for a direction to consider the petitioners' for appointment to any suitable post in our Company on the ground that their land had been acquired for the purpose of our Nagarjuna Sagar sub-station. The High Court by its orders dated November 22, 2004 and March 11, 2005 in writ petition no. 21056/2004 and 4760/2005 respectively directed us to consider the case of the petitioners within four weeks from the date of order as per the rules framed for the above purpose. We filed an appeal before the division bench (WA No. 853/2005) against the order of the High Court dated March 11, 2005. The division bench by its

order dated April 25, 2005 modified the order of the single judge and directed us to consider the case of the petitioners for any unskilled post on priority basis, if they were otherwise found to be qualified and equal to other applicants. We have filed a special leave petition before the Supreme Court (SLP (Civil) No. 16600/2005) against the order of the High Court dated April 25, 2005 which is pending. The Supreme Court by its order dated August 18, 2005 granted an interim stay against the direction of the High Court for giving priority. The interim stay is continuing.

(vi) Our predecessor-in-interest NTPC had employed nine labourers through two contractors for upkeep and maintenance of our sub-station at Ghanapuram. Their services were discontinued with effect from August 31, 1990 on termination of the contract. The labourers raised an industrial dispute which was referred to the Industrial Tribunal (I.D. No. 19/1992) by the government of Andhra Pradesh. The tribunal by its award dated September 23, 1993 directed us to regard these labourers as our regular employees and to pay full back wages and allowances, against which we filed a writ petition before the High Court of Andhra Pradesh (WP No. 3219/1994). The writ petition was dismissed on January 21, 2004, against which we filed a writ appeal before the division bench (WA 448/2004) contending that the appropriate government for the reference was the central government and not the state government, which resulted in the entire reference being vitiated. The division bench by its order dated October 10, 2006 allowed the appeal, set aside the award of the tribunal and remitted the matter back to the tribunal for fresh consideration. Against the order dated October 10, 2006 the labourers filed a special leave petition (1643/2007) before the Supreme Court. The Supreme Court by its interim order dated February 9, 2007 stayed the proceedings before the labour Court. The special leave petition is currently pending. We have also filed a special leave petition (6486/2007) against the order dated October 10, 2006 which was heard on April 2, 2007 and notice have been issued to the opposite parties.

(vii) Power Grid Employees Union ("PGEU") represented by Mr. E. Tata Rao filed a writ petition before the High Court of Andhra Pradesh (Writ Petition No. 21068 of 2004) against our Company and others. It is alleged that we did not allow PGEU's representatives to attend the bipartite meeting, despite them being declared a majority union under the verification poll. The petitioner has prayed for its recognition by our Company and has also prayed for a direction to allow their representatives in the bipartite meetings at all levels. One Mr. P Narasinga Rao has also filed a writ petition (Writ Petition No. 18224 of 2004) against our Company alleging that he was not allowed to attend the bipartite meeting, despite being the general secretary of the majority union under the verification poll. He has prayed for representation in the bipartite meetings at all levels. The petitions are pending.

(viii) Mr. R Chinnasamy and 11 others filed a petition before the Labour Court (C.P. 49 of 2006) at Madurai alleging that the contractor, through whom they were employed to carry out work for our Company, did not pay them the enhanced rate as requested by them. The Company has been impleaded as a necessary party as it is the principal employer. The total amount claimed by the petitioners is approximately Rs. 0.29 million. The case is pending adjudication.

(ix) The Assistant Labour Commissioner ("ALC"), Chandrapur gave us his inspection report alleging default on our part in not paying the minimum wages under the Minimum Wages Act, 1948 to the security guards employed by Dunhil Security Services Limited at our Bhadrawati sub-station. The ALC demanded a sum of Rs. 2.38 million towards the difference in wages and compensation and subsequently filed a claim petition before the Regional Labour Commissioner (Central) for recovery of the same. We have filed a writ petition before the High Court of Bombay,

Nagpur Bench (W.P.No. 1121/97) challenging the proceeding initiated before the Regional Labour Commissioner (Central). The High Court has stayed the proceeding. There is one more writ petition pending before the High Court of Bombay, Nagpur Bench (W.P.No. 1137/98) involving a similar matter and the amount claimed is Rs. 0.19 million. Both the petitions are pending.

10. Arbitration Matters

There are 66 disputes involving our Company which have been referred to arbitration. These disputes relate primarily to disputes under supply contracts executed by our Company and termination of contracts by our Company. The total amount claimed against in these cases is approximately Rs. 465.1 million plus US $ 0.36 million and any interest that may be payable with respect to these claims. The details of the material arbitration claims involving our Company are as follows:

(i) Our Company has filed an application (I.A. No. 11104 of 2000) in Suit No. 1057 of 1999 in the High Court of Delhi, challenging the award of the arbitral tribunal, dated March 31, 1999 under which we have been directed to remit payment of an aggregate amount of Rs. 29.77 million to Electrical Manufacturing Company Limited ("EMC"), a supplier to the Company, on account of escalation in costs of raw materials supplied by EMC for the 500 KV HVDC Transmission Line Tower package for Rihand super thermal power project ("STPP"). The matter is pending.

(ii) NTPC had awarded a contract to EMC for the supply of certain materials in relation to the erection of Kanpur-Etah and Kanpur-Kanpur lines of the 400 KV Transmission Line Tower Package for Rihand STPP. EMC instituted arbitration proceedings under the supply contract pursuant to which the arbitral tribunal passed an ex-parte non-speaking award on May 5, 1993 awarding a sum of Rs. 7.26 million to EMC. Our Company had filed a suit (CS (OS) 1201 of 1993) in the High Court of Delhi for setting aside the arbitral award. However, the High Court by its order dated February 10, 2006 recognized the award of the tribunal and made it the rule of the court and further held that EMC was entitled to interest at a specified rate from the date of award till the date of realization of the claim. We have paid the principal amount under protest and have filed an appeal against the order of the single judge of the High Court before a Division Bench. The appeal is currently pending. Our liability pertaining to the amount of interest that may be payable by us amounts to Rs. 18.3 million.

(iii) C.S. Brothers, a construction contractor employed by our Company, has filed two separate arbitration claims in February 1997 raising a claims for an amount of Rs. 28.69 million against our Company, on account of alleged delays in performances and arrears in payment by our Company under the contract for construction of residential quarters at Ballabhgarh sub-station. Our Company has filed a counter claim in one of the arbitral proceedings, for approximately Rs. 8.3 million, on the ground of delay in services provided by C.S. Brothers and consequent losses suffered by our Company. Arguments have been concluded in both these arbitrations, and the final awards in both arbitration proceedings are awaited.

(iv) Jyoti Sarup Mittal, a construction contractor employed by our Company, has filed an arbitration claim, for an amount of Rs. 10.57 million, against our Company, on account of alleged delays in performances and arrears in payment by our Company under the contract for construction of residential and non-residential buildings, roads and drains, etc. at Bhiwari sub-station. Arguments have been concluded and the final award of the arbitral tribunal is awaited.

(v) Mr. Dinesh Chand Patani, a construction contractor employed by our Company, has filed an arbitration claim, raising a claim of Rs. 6.69 million, against our Company, on account of alleged delays in performances and arrears in payment by our Company under the contract for site-preparation, levelling and grading at the Pithoragarh sub-station. The Company is in the process of filing a counter-claim.

(vi) Our Company executed a supply contract with Klen and Marshall ("K&M") in relation to products required for the erection of the 800 KV Kishanpur-Moga Transmission Line. K&M instituted arbitration proceedings against our Company, claiming an amount of approximately US$ 74.93 million and an additional amount of Rs. 21.96 million, in relation to the consideration which had allegedly been withheld by us. We instituted a counterclaim of approximately US$ 2.36 million and an additional amount of Rs. 145.2 million against K&M on the ground of delay and deficiency in the products supplied by K&M. The sole arbitrator passed an award on May 9, 2003 and directed us to pay a sum of US $ 3.79 million plus Rs. 4. 5 million to the claimant and also directed payment of US$ 2.36 million by K&M to our Company. Both parties have filed an application in the Delhi High Court (OMP No. 88/2006), to set aside the decision of the sole arbitrator. We have deposited the amount in the court as per the arbitral award. The application is pending. Our liability in the matter is approximately US $ 73.50 million plus Rs. 17.46 million.

(vii) Our Company executed a supply contract with Harvinder Singh and Co. in relation to the supply and spreading of aggregate for the Nalagarh sub-station. The contractor filed an arbitration claim against our Company for an amount of approximately Rs. 7.4 million on account of our failure to make the site available on the required date and the consequent loss that had accrued to the claimant on account of idle machinery and workers. Our Company filed a counterclaim for an amount of Rs. 8.7 million alleging shortage of supply of stone aggregate, anti-weed treatment, etc. The matter is presently pending adjudication.

(viii) M/s Meghraj Bansal has filed an arbitration claim for an amount of approximately Rs. 6 million plus interest on account of alleged contractual defaults by us including failure to provide working drawings and details in a timely manner in relation to the contract for the construction of a control room building situated at Nalagarh sub-station. The matter is pending adjudication.

(ix) M/s KEC International has filed an arbitration claim for an amount of approximately Rs. 19.5 million plus interest on account of alleged illegal, unlawful and wholly arbitrary deductions made by our Company from the bills raised by them in relation to the contract for conducting survey, optimization, design and construction of 400 KV D-C transmission lines. The claimant has further filed an amendment to its statement of claims and has enhanced the claimed amount by Rs. 7.2 million. The total claim against us is approximately Rs. 26.7 million. The matter is pending adjudication.

(x) M/s RPG Transmission Limited filed an arbitration claim for an amount of approximately US $ 267,692.55 plus Rs. 745 and also claimed compensation to the tune of US $ 85,940 plus Rs. 239 on account of alleged illegal, unlawful and wholly arbitrary deductions made by our Company from the bills raised by them in relation to the contract for conducting survey, optimization, design and construction of 400 KV D-C transmission lines. The matter is pending adjudication.

(xi) M/s RPG Transmission Limited filed an arbitration claim for an amount of approximately Rs. 4.2 million by way of reimbursement and Rs.7.1 million plus interest by way of compensation on account of our alleged failure to reimburse the

claimant, taxes levied on works contract in relation to two separate contracts for survey, optimization, design and construction of 400 KV D-C transmission lines. It is alleged that our Company had agreed to reimburse any expenditure incurred by the claimant on account of taxes levied on works contract. The matter is pending adjudication.

(xii) SEW Engineering Works (Private) Limited filed an arbitration claim for an amount of approximately Rs. 4 million, including damages on account of the alleged illegal deductions made by us from the payment to be made to the claimant and for wrongfully encashing the bank guarantee in relation to a contract for the supply of diesel generator sets, spares, erection and commissioning of the diesel generator sets, etc. The arbitration tribunal by its award dated February 22, 2001 upheld certain contentions of the claimant and awarded an amount of approximately Rs. 1.5 million plus interest. We have challenged the award before the High Court of Jammu and Kashmir. The matter is currently pending adjudication.

(xiii) S & S powers Switchgear Limited filed an arbitration claim against our Company raising a claim of Rs.1.61 million with interest on the ground that the same had been wrongly deducted by us as liquidated damages on account of delay in completing the contract. The claimant attributed delay to the force-majure events like strike, lock out, power cuts, etc. The arbitral tribunal by its order dated August 21, 1996 awarded a sum of Rs. 1.44 million plus interest (currently Rs. 3.43 million) to the contractor. We filed a petition before the principal subordinate judge, Vriddhachalam (O.P.No.60/197) for setting aside the award. Our appeal was dismissed and we filed a civil miscellaneous application before the High Court of Madras (1361/2006) against the order of dismissal. The High Court by its order dated August 1, 2006 reverted the matter back to the Principal Subordinate Judge, Vriddhachalam to consider the matter afresh and with a direction to give a reasoned order in the petition filed by us. The petition is pending.

(xiv) Bhanu Constructions Company, our contractor, filed an arbitration claim against our Company, raising a total claim for an amount of Rs. 120 million, on account of extra-expenditure incurred by the contractor on certain grounds including price variation, delay in approval of some tower designs and delay in non-clearance of works at site, in relation to the supply cum erection contract for our Cuddapah-Bangalore Transmission lines. The arbitral tribunal by its order dated July 22, 1993 awarded a sum of Rs. 15.1 million to the contractor. We have filed a petition before the High Court of Delhi (O.S. No. 1998/93) to set aside the award. The petition is pending.

(xv) M/s. Mohan Lal Jain a partnership firm, filed an arbitration claim against our Company raising a claim for an amount of Rs. 5.15 million, on account of payment for extra brick work allegedly undertaken by the claimant, prolongation of contract, escalation of material, labour and fuels cost due to prolongation of contract and loss of profit, in relation to the contract for construction of boundary wall at Biharsharif 400 K.V. sub-station. The arbitration proceeding is currently pending.

(xvi) M/s. P.D.Agarwal filed an arbitration claim against our Company, raising a claim for an amount of Rs. 5.90 million, on account of alleged delays in providing the site, graphs and designs, material escalation and labour escalation and loss of turnover profit in relation to the contract for construction of township quarters including electrification at Jamshedpur 400/220 K.V. sub-station. The arbitration proceeding is currently pending.

(xvii) M/s. Satyendra Kumar and Co. filed an arbitration claim against our Company, raising a claim for an amount of Rs. 2.53 million on account of extra work executed by them in relation to the contract for site preparation, levelling and grading at HVDC, Pusauli, Bhabhua. We filed a suit before the Court of Sub-Judge Patna (Arbitration Suit No. 49/2003) claiming that since the contractor had issued a no due certificate to us, there was no subsisting contract and that the arbitration clause was therefore invalid. We further claimed that since the value of contract awarded to the contractor was for more than Rs. 5 million, the sole arbitrator had no jurisdiction to decide the dispute as per the general conditions of contract agreed between the parties. The suit is pending.

(xviii) M/s. Master Construction Company (MCC) filed three arbitration claims against our Company raising a claim for an amount of Rs.10.87 million primarily on account of due against bills submitted, alleged delay and defaults by us in not providing possession of the site, drawings, materials and on ground of price escalation, etc. in relation to contracts for construction of site office, external sewerage and water supply system in township, non-resident buildings, etc. at Rourkela 400/220 KV sub-station. The arbitration proceedings are currently pending.

(xix) Bhanu Constructions Company Limited ("BCCL") has filed an arbitration claim against our Company raising a claim for an amount of Rs.132 million, on account of alleged delays in handing over the site, drawings, materials like isolators, transformers and air compressors and also on account of price escalation, overhead charges and due against bills submitted in relation to the contract for supply of accessories, erection, testing and commissioning of 220/132 KV Birpara, Siliguri and Purnea sub-stations. The arbitration proceeding is currently pending. In the meanwhile BCCL filed a suit before the High Court of Delhi (CS (OS) No. 2294 of 2006) under Sections 11 and 12 of the Arbitration Act, 1940 for the removal of the arbitrator on the ground of alleged bias and misconduct and has prayed for the appointment of an independent arbitrator. The suit is pending.

(xx) M/s. P.D.Agarwal has filed an arbitration claim against our Company, raising a claim for an amount of Rs. 4.33 million, on account of alleged failure on our part to provide for, amongst other things, drawings, materials, price escalation, turnover loss and overhead loss in relation to the contract for construction of Control Room Building at Rourkela 400/220 K.V. sub-station. The arbitration proceeding is currently pending.

(xxi) M/s. P. D. Construction filed an arbitration claim against our Company, raising a claim for an amount of Rs.9.18 million on account of, amongst other things, pending bill amount, refund of initial security amount, price escalation alleged failure on our part to provide drawings, materials, price escalation and loss of turnover profit in relation to the contract for construction of boundary wall, main gate and security post at Rourkela 400/220 K.V. sub-station. The arbitration proceeding is currently pending.

(xxii) United Engineers' Co-operative Society Limited ("UECSL") filed an arbitration claim against our Company, raising a claim for an amount of Rs.10.99 million on account of, amongst other things, our alleged failure to provide the site of work immediately after issue of work order, delay in supply of departmental materials, delay in issue of drawing, price escalation, delay in payment and payment due against the bill, etc relation to the contract for construction of control room building at Siliguri sub-station township. The arbitration proceeding is currently pending. In the meanwhile in a suit filed by UECSL before the Civil Judge (Senior Division), Siliguri (arbitration suit no. 88/1987) for the removal of the arbitrator, the court by its order dated May 11, 2005 removed the arbitrator originally appointed and appointed

another arbitrator. Against this order we filed a revision application in the High Court of Calcutta. The High Court by its order dated September 20, 2005 has prohibited the arbitrator appointed by the civil court from proceeding with the arbitration without the leave of the court.

(xxiii) M/s. A. D. Chakraborty and Co. filed an arbitration claim against our Company, raising a claim for an amount of Rs.5.00 million on account of, amongst other things, the amount payable on account of works executed but not reflected in the final bill prepared by the department, payment for extra works and extra labour costs in relation to the contract for repairing of township road and main road at Durgapur 400/220 K.V. sub-station. The arbitration proceeding is currently pending.

(xxiv) Pile Engineers (India) Private Limited filed an arbitration claim against our Company, raising a claim for an amount of Rs.4.3 million on account of, amongst other things, prolongation of the job allegedly attributable to us, business loss and extra expenses incurred in relation to the contract for construction of boundary wall, security post and associated work at Siliguri sub-station. The arbitration proceeding is currently pending.

(xxv) Masluck Corporation filed an arbitration claim against our Company, raising a claim for an amount of Rs. 9.59 million with interest on account of, amongst other things, price escalation, onsite and offsite establishment, claim against rectification work and security and earnest money in relation to the contract for construction of Central School at Malda. The sole arbitrator by his award dated June 16, 2006 awarded a sum of Rs.2.53 million to the claimant. We filed a petition under Section 34 of the Arbitration and Conciliation Act, 1996 (Mis. Case No. 274/2006) before the District Judge, Alipore for setting aside the arbitral award dated June 16, 2006. The petition is pending.

(xxvi) Mr. Kedarnath Mishra filed an arbitration claim against our Company, raising a claim for an amount of Rs.101.93 million with interest on account of, amongst other things, additional cost, due payment, construction of approach road and idle expenditure on establishment in relation to the contract for construction of equipment foundation for 400 KV outdoor switch-yards at Indrawati sub-station. The sole arbitrator by his award dated July 16, 1994 awarded a sum of Rs.5.47 million to the claimant against which we filed a petition before Civil Judge (Senior Division), Bhubaneswar for setting aside the award. The civil court by its order dated November 10, 1995 dismissed our petition against which we have filed an appeal before the High Court of Orissa, Cuttack (Miscellaneous Appeal No. 105/1996). The appeal is pending.

(xxvii) Bajaj Electricals Limited filed an arbitration claim against our Company, raising a claim for an amount of Rs.5.68 million with interest on account of laying and termination of cables, loss of goodwill and business reputation in relation to the contract for the work of station lighting package for 400 KV Durgapur sub-station. We filed a counter-claim for Rs. 1.91 million with interest. The arbitral tribunal by its award dated May 31, 1999 awarded a sum of Rs.14.44 million and the same was made the applicant which was made the rule of the court by the order of the High Court of Delhi dated April 19, 2005. We have gone in appeal against the order dated April 19, 2005 before the High Court of Delhi under Section 39 of the Arbitration Act, 1940. The appeal is currently pending.

(xxviii) Shahi Constructions Company, filed a suit (arbitration suit no. 62/1989) before the Assistant District Judge, Jalpaiguri for filing arbitration agreement under Section 20 (1) of the Indian Arbitration Act, 1940 in relation to the contract for construction of control room at Birpara sub-station. The claimant alleges that our Company owed a

sum of Rs.10.99 million to the claimant in respect of the aforesaid contract and has prayed for a direction asking us to show-cause why the arbitration agreement should not be filed in the court. The claimant subsequently filed for the amendment of the suit with respect to the jurisdiction of the court and the same was allowed. Against this we have filed a revision before the District Judge, Jalpaiguri which is pending.

(xxix) Siemens Limited filed an arbitration claim against our Company, raising a claim for an amount of Rs.9.18 million with interest on account of entry tax for equipments and materials entering into the state of Orissa in relation to the contract for the execution of 2000 MV HVDC terminal package associated with East-South Inter Connector-II project. It is further alleged that we were the owners of the goods and were therefore required to pay the entry tax and we are not entitled to deduct the amount from the claimant's bill. The arbitral tribunal by its order dated August 15, 2004 upheld the claimant's claim and directed us to pay the claimed amount which is currently 10.57 million. We have filed an application under section 34 of the Arbitration and Conciliation Act, 1996 against the order of the arbitral tribunal before the High Court of Delhi for setting aside the award. The application is pending.

(xxx) M/s. Sova Enterprises, filed a suit (arbitration suit no. 27/1988) before the Assistant District Judge, Jalpaiguri for filing of the arbitration agreement under Section 20 (1) of the Indian Arbitration Act, 1940 in relation to the contract for street lighting, internal electrification of the residential and non-residential building for our Malda and Salakati sub-stations. The claimant alleges that our company owed a sum of Rs.9.41 million to the claimant in respect of the aforesaid contract and has prayed for a direction asking us to show-cause why the arbitration agreement should not be filed in the court. The court directed us to submit a panel of arbitrators and subsequently by its order dated September 16, 1999 appointed an arbitrator. Against this order we have filed an appeal before the High Court of Calcutta (3758/1999). The High Court by its order dated January 24, 2000 has restrained the arbitrator from proceeding in the matter. The appeal is pending.

(xxxi) Mr. Upendra Kumar Sahu and others filed a suit (arbitration suit no. 646/1999) before the Civil Judge (Senior Division), Bhubaneshwar for filing the arbitration agreement under Section 20 (1) of the Indian Arbitration Act, 1940 in relation to the contract for construction of residential quarters at Rengali, Jeypore and Indrawati sub-stations. The claimant alleges that our company owed a sum of Rs.6.57 million to the claimant in respect of the aforesaid contract and has prayed for a direction for the reference of the dispute to an arbitrator with the concurrence of the parties and if parties fail to consent then for appointment of an arbitrator. The matter is pending.

(xxxii) Kvaerner Cementation India Limited ("KCIL"), a construction contractor to our Company filed an arbitration claim against our Company, raising a claim for an amount of Rs. 40.91 million on account of alleged breaches committed by our Company, namely, wrong mode of measurement and variation in soil strata in relation to the contract for design and construction of pile foundation work of Tapi river crossing of 220 KV Kawas-Navasari DC transmission line. The arbitral tribunal by its order dated July 13, 2000 held that there was no arbitrable dispute between the parties which required determination. The said order was challenged by the claimant before the Nagpur Bench of the High Court of Bombay. The High Court dismissed the appeal on grounds of jurisdiction. Subsequently, the claimant has approached the District Court, Nagpur, where the matter is currently pending adjudication.

(xxxiii) Toco Engineering Company ("TEC") initiated an arbitration proceeding against our Company raising certain claims on grounds including idling labour and machinery, overhead expenses, refund of amounts covered under bank guarantees and refund of

retention money in relation to the contract for construction of 400 KV Jaisinghnagar-Jabalpur transmission line. The sole arbitrator by its award dated October 22, 2003 awarded a sum of Rs.17.9 million on the refund amount. The counterclaim filed by us was allowed to the extent of Rs. 0.12 million. We challenged the said arbitral award before the High Court of Delhi. The matter is currently pending adjudication.

(xxxiv) M/s Prem Narayan and Associates have filed an application before the High Court of Jabalpur for appointment of an Arbitrator. M/s Prem Narayan and Associates have initiated the arbitration proceeding against our Company for a claim of Rs. 4.65 million arising out of a contract for construction of shunt reactor foundation at 400 kV Jabalpur sub-station.

11. CERC and Tariff Related Disputes

There are certain disputes relating to annual transmission charges fixed by the CERC pending before the CERC, Appellate Tribunal for Electricity ("Electricity Tribunal") or the Supreme Court, which have been initiated by the SEB's or our Company. The brief details of these disputes are set forth below:

(i) Dispute relating to depletion of equity

There is a dispute pending in relation to the determination of the capital cost of our transmission projects for the purpose of calculation of the annual transmission charges by the CERC. The net book value of projects for financial years 1992-1993 to 1997-1998 was determined by the MoP after deducting the cumulative depreciation recovered from the date of commercial operation of the respective projects till March 31, 1992 from the original gross block of the project. Therefore, the net book value of the assets was considered for the purpose of determination of transmission charges, which was divided notionally into debt and equity components in the ratio of 50:50 for computation of interest on loan and return on equity for the period between April 1, 1992 to March 31, 1997. A similar methodology was followed by the MoP for determination of transmission charges for the financial years 1997-1998 to 2001-2002 for assets in existence prior to April 1, 1997 i.e. the net book value of the project as on April 1, 1997 was determined after deducting the cumulative depreciation recovered till March 31, 1997. This net book value was considered for determination of interest on loan and return on equity while determining the transmission charges. Subsequently, the MoP issued a notification providing that 50% of the net book value of the asset as on April 1, 1997 would be considered as equity up to the technical life of the project. After the formation of the CERC, our Company filed a petition before the CERC (Petition No. 26 of 2005) contending that the methodology adopted by the MoP in determining net book value as described above for calculation of the equity component had resulted in a depletion of equity amounting to approximately 6,463.70 million with respect to 27 transmission assets. The petition was rejected by the CERC primarily on the ground that the CERC could not retrospectively modify principles adopted by the MoP for determination of transmission charges. Our Company preferred an appeal against this order before the Appellate Tribunal for Electricity ("Electricity Tribunal") (Appeal No, 121 of 2005), which placed reliance upon a letter from the MoP to our Company admitting an error in determination of net book value, and directed the CERC to rectify the mistake with effect from April 1, 2004. In accordance with the order of the Electricity Tribunal we are entitled to restoration of equity of approximately Rs. 6,463.70 million. Further, transmission charges are to be re-determined after taking into account the restoration of equity with effect from April 1, 2004. We have filed six separate petitions before the CERC for recalculation of transmission charges on this basis. However, the Punjab SEB has filed an appeal before the Supreme Court (Civil Appeal No. D 21415 of 2006) for setting aside the

order of the Electricity Tribunal. The appeal is currently pending. Until re-determination of the charges by the CERC, subject to the decision of the Supreme Court, the applicable transmission charges are those which were originally been determined by the CERC.

(ii) Dispute relating to capitalization of foreign currency fluctuations

There is a dispute pending in relation to the methodology adopted by the CERC in arriving at the foreign exchange rate variation ("FERV") liability in respect of transmission assets while determining the annual transmission charges with respect to these assets. The transmission charges with respect to an asset till March 31, 2001 was determined by CERC based on the norms notified by the GoI on a consideration of the net book value of the asset and the loan and equity components therein. The FERV for this period was also determined on the basis of the exchange rate difference between the date of actual repayment of the loan and the date of commercial operation. Subsequently, CERC notified norms for the calculation of transmission charges for the period 2001 to 2004. In accordance with these norms the historical capital cost of assets as on March 31, 2001 were determined after capitalizing the FERV calculated on the basis of the exchange rate difference between the date of actual repayment of the loan and the date of commercial operation . Further, this capitalized amount has been apportioned into a loan and equity component on the basis of the normative debt-equity ratio of 50:50 (for projects commissioned up to March 31, 1997) and actual debt-equity ratio (for projects commissioned thereafter) to determine the interest on loan and return on equity for the purpose of calculation of the annual transmission charges. Aggrieved by the methodology followed, the Tamil Nadu SEB had filed review petitions with the CERC with respect to the period between April 1, 2001 and March 31, 2004, which were not admitted. The Tamil Nadu SEB filed appeals before the High Court of Madras, which were transferred to the Electricity Tribunal. The grounds of appeal in all these cases is that the methodology followed by CERC in relation to the FERV liability were not in accordance with CERC tariff regulations and this amount could not be apportioned between loan and equity since they arose solely out of a foreign currency loan. The Electricity Tribunal upheld the capitalization of FERV liability calculated in the manner as described above. However, the Electricity Tribunal held that the capitalized amount shall be added to the debt component only. Aggrieved by this order, we filed an appeal in the Supreme Court, which has been admitted.

The Tamil Nadu SEB has filed another review petition with the CERC for the review of its order determining the annual transmission charges for the period 2004-2009 for the 400 KV Ramagundam-Hyderabad transmission line and inter-regional HVDC Back to Back station at Chandarpur on the same grounds as mentioned above. The CERC by its order dated March 12, 2007 allowed the review petition and held that the petition in respect of transmission charges for the period 2004-2009 shall be heard after the impact of FERV for the period 2001-2004 has been worked out in terms of Electricity Tribunals order dated October 14, 2006. In the event the Supreme Court upholds the contention of the TN SEB in the dispute described above for the period April 1, 2001 to March 31, 2004, the CERC may be required to re-determine the transmission charges with respect to our transmission assets. Further, this decision may impact the calculation of transmission charges with respect to all our existing transmission assets wherever FERV may be in dispute and we may be entitled to a lesser transmission charge for each of our assets compared to the transmission charges that have been fixed by the CERC.

(iii) Dispute relating to the Uniform Common Pool Transmission Tariff ("UCPTT")

There is a dispute pending in relation to the UCPTT method applicable for determination of transmission charges in the north-eastern region. The UCPTT rate is the rate at which tariff is charged for the transmission of power to north eastern region states which is applied on the total central sector energy drawn by each state. Since the north eastern region transmission system comprises of transmission lines owned by our Company as well as state owned lines, the UCPTT rate in Rs./unit is derived by pooling together the annual transmission charges for the transmission lines owned by our Company and the state owned lines divided by the total central sector energy in the north eastern region . The UCPTT rate was revised from time to time on account of additional capital investment in the transmission systems in the north eastern region. This rate was fixed at Rs. 0.35 per kWh with effect from April 1, 1998 out of which the share of our Company was approximately Rs. 0.32. Our Company filed an application before the CERC for the re-apportionment of the share of our Company and the north-eastern region states with effect from February 1, 2000 on the ground of increased capital investments by our Company. The CERC directed the re-apportionment of the UCPTT rate with effect from April 1, 2004 but did not amend the apportionment of the UCPTT rate between the period 2001-2004. Our Company has filed an appeal before the Electricity Tribunal for amending the apportionment of the UCPTT rate with effect from February 1, 2000 based on the capital expenditure of our Company in the north eastern region transmission system during this period. The appeal is currently pending.

We have also filed an appeal in the High Court of Delhi [Appeal No. 186 of 2002] against the orders of the CERC issued on certain review petition challenging the UCPTT rate fixed at 35 paise per kWh, on the grounds that this rate does not take into account any payment of an incentive to our Company in accordance with the notification issued by the MoP dated December 16, 1997 for determination of tariff leviable on transmission of power by our Company. Our Company has filed a separate appeal before the High Court of Delhi against the order of the CERC for the determination of transmission charges with respect to the Kathalguri transmission system, Kopili Extension Stage-I Transmission System and 132 KV Augmentation Scheme in the North-Eastern region on the ground that the total capital investments of our Company in these transmission lines would result in a higher UCPTT rate.

In addition to the disputes described above, there are certain disputes pending before the High Court of Delhi or the Electricity Tribunal relating to certain orders issued by the CERC.

(iv) There is a dispute pending in relation to the determination of transmission charges with respect to the Jeypore-Gajuwaka transmission system in the southern region. While determining the transmission charges for the period between September 1, 1999 to March 31, 2001, the CERC disallowed the interest during construction costs amounting to Rs. 119.50 million claimed by our Company, on account of the delay in completion of the project. Our Company filed a review petition before the CERC, which was rejected, pursuant to which we filed a writ petition before the High Court of Delhi. On the constitution of the Electricity Tribunal, the writ petition was withdrawn and an appeal was instituted before the Electricity Tribunal. However, the Electricity Tribunal did not admit the matter following which we re-instituted the writ petition in the High Court, where the matter is currently pending.

(v) Our Company has filed an appeal in the High Court of Delhi against the order of the CERC issued on a review petition filed by us. In the review petition, our Company sought to fix the amount of provisional tariff payable with respect to the Kaiga transmission system at 100% of the revised cost of the project. However, the CERC directed the beneficiaries, being the SEB's, to pay an amount equivalent to 90% of

the tariff claimed by our Company subject to final determination of the tariff. The CERC also directed our Company to evolve a mechanism for consultation with beneficiaries in case of an upward revision in the cost of the project. In our appeal before the High Court we prayed for the payment of 100% of the tariff claimed by us since the assets in question were being fully utilized by the SEBs. Further, we have prayed for the setting aside the direction of the CERC for evolving a consultative mechanism prior to revising the cost of a project on the grounds that such a procedure was not contemplated by the ERC Act and was beyond the jurisdiction of the CERC. The appeal is currently pending.

(vi) Our Company has filed an appeal in the High Court of Delhi against the order of CERC dismissing a review petition filed by us in relation to the calculation of transmission charges for the Chandrapur HVDC back to back station. The CERC held that our Company was not entitled to depreciation on the overseas disbursement assistance ("ODA") amounting to Rs. 3,215.50 million for the purpose of determining the transmission charges. In our appeal before the High Court we have contended that the actual project cost including any ODA should be considered for depreciation for the purpose of calculation of the transmission charges. The appeal is currently pending.

(vii) The Indian Electricity Grid Code ("IEGC") is an operating code specifying the policy and procedures required to be followed by participants, including our Company, in the Inter-State Transmission System ("ISTS"). The CERC, through its orders dated October 30, 1999 and December 21, 1999, had approved the IEGC submitted by our Company in its capacity as the Central Transmission Utility ("CTU"). Further, the CERC through its order dated October 30, 1999, issued certain directions to be followed by our Company as CTU. Our Company has filed an appeal (FAO No. 337 of 2000) in the Delhi High Court, challenging the above-mentioned order of the CERC dated October 30, 1999, on the ground that the CERC exceeded its authority and its terms of reference, in issuing certain directions with respect to the process to be followed by the Company in formulating the IEGC. The ground for our challenge is that the directions of the CERC appear to be based on the view that the CTU and our Company should be two separate entities (with our Company, as per the CERC's directions being required to act as an independent power transmission company) and that our Company, acting in the capacity of CTU, would be in the position of taking decisions in the process of selection while dealing with its own bid, submitted by our Company in exercise of its commercial functions. The appeal against the above-mentioned order of the CERC dated October 30, 1999, is currently pending listing for hearing in the High Court of Delhi.

(viii) Madhya Pradesh State Electricity Board has filed a writ petition before the High Court of Madhya Pradesh, Jabalpur (W.P. No. 6626/2001) against CERC and others including our Company. The petitioner has challenged the constitutionality and legality of the CERC order dated December 21, 2000 and the notification dated March 26, 2001 issued in pursuant to the aforesaid order. It is alleged that the aforesaid order and notification imposes a tax of 10 % for the central government owned transmission companies as development surcharge which is ultimately imposed on beneficiaries like petitioner. It is further alleged that the aforesaid order and the notification imposes the income tax liability of the generating and transmission companies on the beneficiaries. The petitioner has contended that the CERC does not have any authority to impose any tax and has prayed for quashing the aforesaid order and notification. The petition is pending.

(ix) The CERC imposed a penalty of Rs. 0.1 million on Madhya Pradesh State Electricity Board ("MPSEB") for the alleged violation of Grid Code. MPSEB has filed a

miscellaneous appeal before the High Court of Madhya Pradesh, Jabalpur (M.A.No. 1309/2003) challenging the legality of the order. We have been impleaded as a proforma party.

(x) Uttar Pradesh Power Corporation Limited has filed a writ before the High Court of Allahabad (W.P. No. 2023 of 2004) against CERC and others including our Company in its capacity as Northern Regional Load Despatch Centre challenging the increase of Unscheduled Inter-change of power charges ("UI") and the methodology adopted in determining the same under CERC Regulation, 2004. The petitioner has challenged the methodology adopted by CERC for determination of UI charges (which is fixed charges plus variable charges of Diesel Generating Set) on the ground that the same is incorrect and against the principle of costing and finance. The petitioner has alleged that since fixed charges of generating plant have already been recovered by the generator from different beneficiaries, there is no rationale for realizing the cost of fixed charges second time. The petitioner has prayed for quashing the hike in U.I. charges by the CERC. The petition is currently pending.

(xi) Mr. Gajendra Haldia filed an objection under Section 15 (2) of the Electricity Act, 2003 before the CERC and others including our Company against the grant of inter-state trading license to Power Trading Corporation of India Limited ("PTC"). The objections were dismissed by the CERC by its orders dated June 4, 2004 and June 30, 2004 against which Mr. Gajendra Haldia filed a review petition before the CERC. The review petition was also dismissed by the CERC by its order dated June 8, 2005 against which Mr. Gajendra Haldia has filed an appeal before the Appellate Tribunal for Electricity (Appeal No. 44/2005). The appellant has alleged that PTC has been carrying on business of purchase and sale of electricity at completely unregulated prices and contrary to the specific provisions of the Electricity Act, 2003. It is further alleged that our eight percent equity holding in PTC would vitiate the mandatory non-discriminatory access and provisions of sections 27, 38 and 41 of the Electricity Act, 2003. It is further alleged that as an equity shareholder, our Company is likely to have an interest in increasing the business of PTC and while awarding transmission capacity might favour PTC over competitors. The appellant has prayed for quashing the inter-state trading license granted to PTC. The appeal is currently pending.

(xii) Our Company filed a petition before the CERC (109/2000) for approving the fees and charges to be paid to the RLDCs by various SEBs for undertaking load dispatch functions for the years 1998-1999 to 2003-2004, which was approved by the CERC by its order dated March 22, 2002. Our Company further filed a review petition before the CERC seeking review of directions on certain items of fees and charges approved by the CERC which was allowed. The CERC by its order dated May 8, 2003 further revised the fees and charges for the year 2000-2001 and up to 2003-2004 against which the Tamil Nadu Electricity Board has preferred an appeal before the High Court of Chennai (2485/2004). The appeal is pending.

(xiii) Our Company has filed a petition (No. 916 of 2007) before the Gujarat State Electricity Regulatory Commission, Ahmedabad (the 'GSERC) for challenging the unilateral action on part of the Uttar Gujarat Vij Company Limited, changing the tariff classification of our Company and claiming the refund of the excess amount that was billed to our Company on account of such unilateral change in classification by the Uttar Gujarat Vij Company Limited from September, 2002 onwards. The petition is currently pending.

12. Miscellaneous Cases

(i) There are two claims pending before Motor Accident Claim Tribunal, Guwahati against our Company. The total amount claimed against us is approximately Rs 4.18 million.

(ii) There is a claim of Rs 0.25 million for medical expenses against our Company, which is pending before Assam State Commission for Women.

(iii) There are two matters pending before the High Court of Andhra Pradesh against AP Transco, a transmission company for a direction to reduce the wheeling charges charged by the respondent. Though our Company has been made a party to these proceedings, no relief has been claimed against us.

13. Taxation Disputes

Income Tax Cases

There are disputes relating to income tax assessments of the financial years 1998-1999, 2000-2001, 2001-2002, 2002-2003 and 2003-2004. The total amount claimed against our Company in these cases is approximately Rs. 407.71 million out of which we have paid approximately Rs. 416.69 million under protest.

There are two main issues, which are the point of dispute between the Income Tax Department ("IT Department") and the Company. The entire income tax liability of the Company arises from these two issues, which are discussed below.

(a) **Advanced Against Depreciation ("AAD")**: The IT Department has held that AAD is a part of tariff and has been provided in the tariff policy essentially to help the assesee in meeting long term repayment obligations. The effect of this provision is that tariff charges are increased to augment revenue for facilitating the loan payment. On this basis, the IT Department has held that AAD is a revenue receipt and not a refundable advance. Therefore AAD does not constitute a liability that may be refunded. Hence, the receipt of assesee company can not be reduced on account of tariff relating to AAD. Accordingly, the IT Department has made additions to the income of our Company to the extent of the AAD claimed by our Company for the purpose of income tax assessment. We have disputed the addition of AAD by the IT Department.

(b) **Prior Period Expenses ("PPE"):** The IT Department has disallowed expenditure incurred in prior periods on the ground that as per the Companies Act, 1956 the profit and loss account has to reflect the expenses incurred only in the relevant financial year. Accordingly, the IT Department has made additions to the income of our Company to the extent of the expenditure claimed by our Company which had been incurred in previous years. We have disputed this addition made by the IT Department.

The status of the disputes for various financial years is set forth below.

(i) For financial year 1998-1999:

The IT Department has imposed total tax liability of Rs. 0.99 million on our Company, which we have paid under protest.
Our Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT has dismissed the appeal of the Company by order dated September 4, 2006 against which the Company preferred

an appeal before Income Tax Appellate Tribunal, New Delhi ("ITAT"). The appeal is currently pending.

(ii) For financial year 2000-2001:

The IT Department has disallowed the prior period expenses and bond issue expenses in the normal assessment amounting to Rs. 336.1 million. The effect of the assessment order is to reduce the carry forward loss of the Company to the extent of Rs. 336.1 million. There is no tax implication on us on account of reduction in the carry forward loss.

Our Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT by its order dated August 13, 2004 has partly allowed the appeal by allowing us to carry forward loss to the extent of Rs. 293 million. Our Company has preferred an appeal before the Income Tax Appellate Tribunal, New Delhi ("ITAT") for carrying forward the remaining losses.

(iii) For financial year 2001-2002:

The IT Department has imposed a total tax liability of Rs.186.10 million on the Company, which we have paid under protest.

Our Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT has dismissed the appeal by an order dated March 17, 2006 against which we preferred a further appeal before the Income Tax Appellate Tribunal, New Delhi ("ITAT"). The appeal is currently pending.

(iv) For financial year 2002-2003:

The IT Department has imposed a total tax liability of Rs. 67.28 million on the Company, which we have paid under protest.

Our Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT has partly allowed the appeal and reduced our tax liability to Rs. 58.3 million by an order dated September 8, 2006 against which the Company preferred an appeal before the Income Tax Appellate Tribunal, New Delhi ("ITAT"). The appeal is currently pending.

(v) For financial year 2003-2004:

The IT Department has imposed a total tax liability of Rs. 237.66 million on the Company. A refund of Rs. 180 million has been adjusted against the above amount under protest.

Our Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT by its order dated March 14, 2007 partly allowed the appeal and reduced our tax liability from Rs. 237.66 million to Rs. 162.32 million. The appeal is currently pending.

(vi) Power Transmission Employees and Workers' Union and others have filed a writ petition before the High Court of Calcutta (WP No. 5642/2002) against Union of India and others including our CMD, Directors and other officers for declaration that

the 22nd amendment to the Income Tax Rules, 2001 is ultra vires to Section 17 (2) of the Income Tax Act, 1961. The petitioners therefore prayed for the issuance of mandamus directing our Company to withdraw its circular of December 21, 2001 that is analogous to the amendment regarding deduction of tax on perquisites provided by our Company. The petitioners prayed for a direction to refund the deducted sum to the employees as the same is not a concession and hence, not liable to tax. The High Court passed an interim order on March 27, 2002 to keep the amount if deducted in a separate account. The petition is currently pending.

Service Tax Cases

There are three service tax cases pending against the Company for the period between July 16, 2001 to December 31, 2005 and June 16, 2005 to March 31, 2006. The details of these cases and the claims made against our Company are set forth below:

(i) For the period July 16, 2001 to December 31, 2005

Our Company is a licensee of Infrastructure Provider Category-II under the Indian Telegraphic Act, 1885 and has been leasing their bandwith to various consumers. The Service Tax Department contends that leased circuit service provided by our Company is a taxable service under Finance Act, 1994 and service tax is leviable on the same. Accordingly, the Service Tax Department has imposed a total tax liability of Rs. 23.83 million on our Company by its show cause notice dated July 5, 2006. We filed an appeal against the show cause notice before the Commissioner of Service Tax, New Delhi ("CST"). The appeal is currently pending.

(ii) For the Period June 16, 2005 to March 31, 2006

Our Company is providing services relating to the operation and maintenance of substations. The Service Tax Department has contended that these services and the manpower charge is subject to service tax under the head of "maintenance or management of immovable property" under the Finance Act, 2005. Accordingly, the Service Tax Department has imposed a total tax liability of Rs. 0.74 million on our Company by its show cause notice dated November 20, 2006.

(iii) The Commissioner, Central Excise Patna issued a demand cum show cause notice to us on December 19, 2005 alleging that we have violated Sections 67-70 of the Finance Act, 1994 by failing to deposit service tax on consultancy charges received by us from December 15, 2003 to January 8, 2004; short paid service tax from March 18, 2004 to September 2, 2004 and interest on delayed deposit of service tax. We have been asked to show cause as to why penalty under sections 75 A, 76, 77 and 78 of the Finance Act, 1994 should not be imposed on us. The amount claimed against us aggregates to Rs. 15.44 million. We have replied to the show cause notice by our letter dated January 27, 2006. The amount outstanding against us is approximately Rs. 3.08 million.

Sales Tax Cases

(i) There is one sales tax matter pending in the High Court of Guwahati. The High Court has issued an interim order prohibiting us from deducting any sales tax on the labour component of the gross value of the bill tendered by one of our contractors. The matter is currently pending.

(ii) Our Company entered into two separate contracts (for supply of tower materials and for erection of transmission lines) with Jyoti Structures Limited ("JSL") in respect of

400 KV Jeypore-Gajuwaka transmission lines pursuant to which JSL sold us the tower parts ex-factory at Raipur. JSL paid central sales tax on the goods dispatched to our site. The consignments supplied by JSL were detained by the sales tax officer at Chandili, Orissa who issued notices asking us to remove the defects in the way bill and to show-cause why penalty should not be imposed for non-deduction at source and why our registration certificate should not be cancelled. Our liability as per these notices amounts to approximately Rs. 15.93 million. Against these notices, we preferred a revision petition before the commissioner of sales tax, Orissa on the ground that the supply and erection contracts were two separate contracts and that the liability for sales tax should be determined on the basis of the goods to be supplied. The commissioner of sales tax by its order dated October 17, 1995 held that our contracts with JSL were a composite contract and sales tax would be determined on the combined value of the contracts. The court directed JSL, as consignee of the detained goods, to remove the defects in the way bill. We have filed three writ petitions before the High Court of Orissa against the orders of the commissioner of sales tax, for a declaration that we are the lawful consignee of the goods in transit and our contracts with JSL constitute independent contracts. Subsequently, JSL were also assessed under the Orissa Sales Tax Act for the sale of tower materials to us and were asked to pay sales tax on the same. JSL has also filed writ petitions before High Court of Orissa for quashing various assessment orders against it. We have been impleaded as respondents in these writ petitions since as per our contract with JSL we are required to reimburse JSL for the amount of statutory taxes levied on it, in respect of transactions between our Company and JSL. Our total liability aggregates to approximately Rs. 40.15 million plus interest. All the writ petitions have been clubbed together and are pending.

(iii) The Commercial Tax Department of Madhya Pradesh has imposed total sales tax liability of Rs. 4.97 million on our Company for the assessment years 1995-1996, 1998-1999 and 2000-2001. Our Company has deposited a portion of the amount and our liability for balance amount is approximately Rs. 3.59 million. All these matters are currently pending before the Appellate Additional Commissioner, Commercial Tax, Jabalpur, for adjudication.

Turnover Tax Cases

(i) The assessing authority, Jammu by his assessment orders under Section 7 (8) of the Jammu & Kashmir General Sales Tax Act, 1962 has imposed turnover tax of Rs. 334.55 million including interest and penalty for the financial years 1988-1989 to 2001-2002. The assessment order mentions that our Company as a dealer registered under the said Act allegedly concealed the purchase made by it and hence is liable to pay turnover tax on the concealed purchase. We have paid an amount of Rs. 7.79 million in advance. All these cases are pending before the Sales Tax Appellate Tribunal, Jammu. Our liability in all these matters is Rs. 326.76 million.

Agricultural tax

(i) There is one claim pending against our Company in relation to payment of non-agricultural tax with respect to our Vijayawada sub-station. The total amount claimed against us is approximately Rs. 0.32 million. The matter is pending.

Entry Tax Cases

(i) Entry Tax cases in Bihar

There are disputes relating to entry tax assessments under the Bihar Tax on Entry of Goods into Local Area for Consumption, Sale Therein Act, 1993 ("Entry Tax Act") for the assessment years 2001-2002, 2002-2003 and 2003-2004. The total amount claimed against the Company in relation to entry tax is approximately Rs.114.04 million.

There are two main issues, which are the point of dispute between the Commercial Tax Department, Patna ("CT Department") and our Company. The entire entry tax liability of the Company arises from the following two issues.

(a) The Schedule to the Entry Tax Act was amended on July 25, 2001 to include items like "electrical fittings" and "iron and steel" for the purpose of levying entry tax. The assessment orders held that the electrical equipments and galvanized steel structures used by us for laying transmission networks fell under "electrical fittings" and "iron and steel" category. Hence, our Company was liable to pay entry tax on the same. We have contented that electrical equipments like insulators, transformers, conductor, electric wires, etc. do not fall in the category of electrical fittings and are electrical goods.

(b) The assessment orders also held that since the date of arrival of the goods in Bihar were not mentioned, all goods were treated to have reached Bihar after the date of amendment to the Entry Tax Act. Hence, we were held liable for payment of the entry tax. Our Company produced the record of road permit that were issued before notification and contented that goods brought into state before the date of notification could not be subject to entry tax.

(ii) Entry tax cases in Madhya Pradesh and Chhattisgarh

There are disputes relating to entry tax assessments for assessment years 1995-1996 to 2000-2001 and 2002-2003 to 2006-2007 in the state of Madhya Pradesh. There are also disputes relating to entry tax assessments for assessment years 2005-2006 and 2006-2007 for the state of Chhattisgarh. The total amount due against our Company in relation to entry tax is approximately Rs. 382.05 million.

The entire entry tax liability of the Company arises as a result of two main issues.

(a) Our Company deposited entry tax at the rate of one per cent of gross purchase value rate. The commercial tax department of Madhya Pradesh has taken a contrary view on certain items and has assessed the entry tax at the rate of one and half per cent of gross purchase value rate. Our liability on account of this issue for the assessment years 1995-1996 to 2000-2001 and 2002-2003 to 2003-2004 amounts to Rs.24.18 million. The commercial tax department of Chattisgarh has similarly, assessed the entry tax at the rate of one and half per cent of gross purchase value rate of Iron and Steel. Our liability on account of this issue for the assessment years 2003-2004 to 2006-2007 amounts to Rs. 45.73 million.

(b) The commercial tax department has served a notice on our Company pursuant to a notification dated March 2, 2006 issued by the government of Madhya Pradesh, demanding an explanation as to why we should not be assessed at the rate of five per cent instead of one percent. Our Company has challenged the aforesaid notification before the High Court of Madhya Pradesh at Jabalpur (W.P.No. 14026/2006). Our liability on account of this issue, for the assessment years 2004-2005 to 2006-2007 and upto June 30, 2007, amounts to Rs. 312.14 million. The government of Chhattisgarh has also issued a similar notification. However, the commercial tax department of Chhattisgarh has not, till date, served any notice on us demanding an explanation as to why we should not be assessed at a higher rate, i.e., five per cent.

We believe that the aforesaid notification is not applicable to us. However, in the event we were to receive such notice we would dispute the same before the appropriate forum.

Deemed Export Benefits Case

(i) The MoF by its letter dated August 13, 2002 advised us to repay the deemed export benefits with 24% interest, availed by us in respect of supplies to Talcher-IItransmission project and Sasaram HVDC project for the period before March 1, 2000. Our company had repaid the deemed export benefits excluding the interest amount. The need for repayment arose on account of withdrawal of the World Bank loan for the aforesaid project. Subsequently the withdrawal was revoked and loan was re-granted. Pursuant to this we applied for the refund of the amount paid by us. The MoF by its letter dated December 19, 2006 has intimated us that the necessary instructions have been issued for expeditious disposal of our pending refund claims. The interest which we were originally required to pay as per the letter of the department of revenue dated August 13, 2002 continues to be a part of our contingent liability and the same amounts to approximately Rs. 746.62 million.

Stamp Duties and Other Taxes

(i) The Additional District Magistrate, Chandrapur by his order dated September 14, 1993 demanded an amount of Rs. 0.03 million on accounts of entertainment tax and surcharge on the installation of Cable T.V. Network by us at the residential township situated at our Bhadrawati sub-station. Against the said order we have filed a writ petition before the High Court of Bombay, Nagpur Bench (W.P.No. 2729/1993). The demand order has been stayed and the petition is pending.

(ii) The Collector of Stamps and District Registrar, Durg issued a notice dated November 29, 1996 asking us to execute and register the lease deed in respect of government land granted to us by the Collector Durg for our Raipur sub-station and further asked us to pay a sum of Rs. 1.45 million towards the registration fee and stamp duty. We have filed a writ petition before the High Court of Chhattisgarh, Bilaspur (W.P.No.2235/2000) challenging the aforesaid notice. The petition is pending.

(iii) The Collector of Stamps and District Registrar, Sagar issued a notice dated November 29, 1996 asking us to pay a sum of Rs. 1.06 million towards the registration fee and stamp duty on the 67 sale deeds that are alleged to have been executed in respect of the land acquired for the purpose of our Bina sub-station. We have filed a writ petition before the High Court of Madhya Pradesh, Jabalpur (W.P. No. 2709/1997) challenging the aforesaid notice. The Court by its order dated January 18, 1999 has stayed the notice. The petition is pending.

(iv) The Sub-divisional officer, Warora by his order dated March 1, 2006 held that part of the land being used by us at our Bhadravati sub-station was for industrial purposes and asked us to pay a sum of Rs. 1.6 million towards non-agricultural assessment. We have filed two writ petitions before the High Court of Bombay, Nagpur Bench (W.P. No. 2376 and 2377/2006) challenging the aforesaid order. The petitions have been clubbed. The High Court by its order dated October 12, 2006 has stayed the recovery subject to the condition that we pay a sum of Rs. 0.3 million in addition to Rs. 0.7 million that we have already paid and furnishing a bank guarantee for the remaining amount. We have deposited the amount and have also furnished the bank guarantee. Our liability is to the extent of Rs. 0.9 million.

II. Litigation by our Company:

1. Criminal Cases

(i) Our Company lodged an FIR against Mr. K. Jangaiah who requested for employment in our office on the basis of a forged experience certificate purported to have been issued by one of our officer. Subsequently, a charge-sheet was filed and cognizance was taken by the III Metropolitan Magistrate, Cyberabad (C.C.No. 722/2005) for offences punishable under Sections 465 and 471 of the Indian Penal Code, 1860. The court by its order dated May 5, 2006 acquitted the accused against which we have a filed a memorandum of criminal revision before the Andhra Pradesh High Court (CRL. R.C. No. 15023/2006). The criminal revision is pending.

(ii) Our Company filed two FIRs for theft of our transmission materials. The police has filed the charge-sheet before the Chief Judicial Magistrate, Etawah and Mainpuri respectively (case no. 130/2006 and case no.2329/1999). The courts have taken the cognizance of the same and registered the case under section 379 and 411 of the Indian Penal Code, 1860. The matters are listed for evidence on April 13, 2007.

(iii) Our Company lodged two FIRs in the Patharota police station (Madhya Pradesh) with respect to two separate incidents of theft of certain materials from the Itarsi sub-station in the year 2004 and 2006 respectively. Charge sheet has been filed against certain individuals accused of the thefts before the Judicial Magistrate, Itarsi (case no. 346/2004 and 1575/2006) and the mattes are pending.

2. Company Case

(i) Ancon Engineering Company ("Ancon") which was one of our contractors allegedly did not complete the contract awarded to them in respect of our Jabalpur-Gadarwara transmission lines. We terminated the contract and Ancon made a representation before the Engineer as per the terms of the contract. The Engineer awarded a sum of Rs. 11.83 million in our favour and the same was not paid. We have filed a company petition before the High Court of Calcutta (C.P.No. 44/2000) against Ancon for non-payment of amount owed to us. The High Court by its order dated December 4, 2001 directed Ancon to pay us a sum of Rs. 11.83 million plus interest. The same was not paid and the matter is currently pending before the official liquidator. On April 24, 2004 the court directed the official liquidator to take over the possession of the assets of the contractor.

3. Arbitration Matters

In addition to the counter-claims described in the arbitration cases against our Company, we have initiated seven arbitration proceedings. The total amount claimed by us in these cases is approximately Rs. 119.47 million. The details of the material arbitration claim filed by our Company are as follows:

(i) In October 1999, our Company filed five separate claims for arbitration in the High Court of Delhi against RPG Transmission Limited ("RPG") claiming an amount of approximately Rs. 117.10 million with interest thereon, on the ground that RPG is required to reimburse the Company for refund of excise duty obtained by it in relation to 26 separate supply contracts executed by our Company for the supply and erection of various transmission lines. Our Company had earlier paid the claimed amount as excise duty in relation to the said contracts, on behalf of RPG, for the period prior to March 1988. The High Court by its order dated August 20, 2001, adjudicated on the existence and validity of the arbitration agreement and directed RPG to appoint an

arbitrator in accordance with the agreement and proceeded to appoint a third arbitrator. RPG filed a writ petition before the Division Bench (WP No. 7226/2000) challenging the jurisdiction of the arbitral tribunal appointed by the High Court to adjudicate on the existence and validity of the arbitration agreement. The Division Bench of the High Court by its order dated May 9, 2002 dismissed the contention of RPG. RPG has filed a special leave petition in the Supreme Court (SLP(C) No. 11825 of 2002) against the order of the High Court dated May 9, 2002, which is pending.

4. Telecom Disputes

(i) Our Company filed a petition before the Telecom Dispute Settlement and Appellate Tribunal ("TDSAT") (No. 130/2005) against an erstwhile customer, Data Access (India) Limited ("Data Access") and its major shareholder, Mr. K.C. Palaniswamy. Our Company claimed an amount of approximately Rs. 11.39 million, with respect to the wrongful withholding of the aforesaid amount payable by Data Access to our Company for the services provided by our Company. We have also prayed for recovery of certain telecom equipment installed at the premises of Data Access /its clients and in alternative we have raised an additional claim of Rs. 4.43 million. However, during the pendency of this matter at the TDSAT, Pacific Convergences filed a suit (CP No. 292 of 2004) for liquidation against Data Access in the High Court of Delhi. Our Company filed an application (No. 69/2006) in the aforesaid matter, seeking recovery of a sum of Rs. 11.39 million and also the equipments, as mentioned above. The High Court, through its order dated December 18, 2006, directed that our Company is entitled to remove its equipment after proper identification of the same. It further held that our Company will be entitled, upon the Official Liquidator inviting claims against Data Access, to present its claim for Rs. 11.39 million. The Company is in the process of recovering its equipment and filing a claim before the Official Liquidator in relation to the above-mentioned amount of Rs.11.39 million. The Company has filed an application (No. 663/2007) before the High Court of Delhi praying for issue of direction to the Official Liquidator to ensure that the equipments is released to the Company within seven days and award cost of Rs. 0.09 million incurred or occasioned by M/s Canara Bank and others.

5. Land Acquisition Cases

(i) Hisar sub-station

Our Company has filed twenty one execution petitions before the Additional District Judge, Hisar for the recovery of excess compensation paid to the landowners pursuant to the land acquired by our Company for the purpose of our Hisar sub-station. The total amount to be recovered by us is Rs. 0.35 million.

6. Civil Matters

(i) Our Company has filed a suit for recovery before the High Court of Mumbai (2341/2002) against Bank of Tokyo for the recovery of interest from the date of invocation of the bank guarantee till the payment of amount, on the ground of alleged delay by the bank in the payment of bank guarantees. The amount claimed by us is approximately Rs.35.2 million plus interest. The matter is currently pending. In addition, we have also filed an application before the High Court of Delhi for recovery of a sum of approximately Rs. 1.94 million that has been paid in excess by us.

III. Material Developments:

Except as stated in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations " beginning on page 207 of this Red Herring Prospectus, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or our ability to pay material liabilities within the next 12 months.

IV. Litigation against our Directors:

Our Chairman and Managing Director and Directors are generally made pro forma parties to litigations file against our Company in addition to these cases and except as disclosed below, our Directors have no outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, in their individual capacity or in connection with us and other companies with which the Directors are associated.

(i) Mr. Binay Kumar has filed a writ petition before the High Court of Delhi (6197/1999) against Union of India, our Company and our CMD in his individual capacity. The petitioner has alleged that our CMD who was his reviewing officer acted as a countersigning authority contrary to rules and downgraded petitioner's confidential reports by adversely reporting on him. He has further alleged malafide against our CMD. However, it is alleged that the same was not communicated to the petitioner as per the Company's policy. The petitioner has prayed for a direction to Union of India to expunge the adverse entries written by the CMD for the year 1995-96 in part, 1996-97 and 1997-98 in part. The petition is pending. In addition, the petitioner had filed eight writ petitions and three letter patents appeal against our Company and the CMD all of which have been dismissed.

(ii) Mr. A.K. Garg and Mr. V.K. Gaur has filed a joint suit against our Company, our Chairman and Managing Director and against some other employees before the High Court of Delhi (C. S. (OS) No 1988/2006). The plaintiffs have alleged that their entry in the office premises of our Company had been restricted by a letter dated June 2, 2006 without giving them any notice and the same has been done at the behest of our Chairman. The plaintiffs have also denied tampering with the computer records as alleged by the Company. The plaintiffs have alleged that the order of the defendants restricting their entry into the office has caused great humiliation to them and have defamed them. The plaintiffs have prayed for a sum of Rs.2.1 million in damages from the defendants and have also asked for a permanent injunction restraining the defendants from restricting their entry in the office premises. The suit is pending.

(iii) Ms. Madhu Barua has filed a public interest litigation (No. 11249/2001) against Haryana Urban Development Authority (HUDA), our Company and others including our Chairman and Managing Director. Our Company was allotted 22 acres of land in Sector 43, Gurgaon by HUDA for the purpose of building a township. It is alleged that our Chairman and Managing Director convinced our management to transfer a part of the aforesaid land to Power Welfare Organisation ("PWO") , pursuant to which 9.99 acres of the land was allotted to PWO. The applicant has claimed that our Chairman and Managing Director was not authorised to transfer, sell or alienate the aforesaid land which was vested with our Company and therefore, the transfer was unauthorized and illegal. It is further alleged that PWO has not made any payment for the land allotted to it by our Company. The petitioner has prayed for quashing the allotment of land to PWO and for directing PWO to hand over the possession of the land to our Company. The matter is pending and no order has been issued so far.

In addition to the cases described above, our Chairman and Managing Director and Directors have also been made parties to certain contempt petitions. The details of the contempt petitions are set forth below:

(i) Mr. Ghulam Mustaffa Mir and others had filed three writ petitions before the Jammu and Kashmir High Court against our Company and others alleging that the notified route for our 400 KV Wagoora-Kishanpur transmission lines did not cover Chattragam village and hence, the transmission lines should not pass through that particular village. The High Court directed us to lay the lines as per the approved lay-out. The petitioners have filed three contempt petitions before the High Court of Jammu and Kashmir (280 to 282/2006) against our Chairman and Managing Director and others alleging non-compliance with the court's order of laying the lines as per the approved lay-out. The contempt petitions are pending.

(ii) Mr. Prakash Biswas had filed a writ petition before the High Court of Calcutta (W.P.No. 2665 (W)/2003) challenging the order dated July 5, 2002 of our Director (Personnel). The aforesaid order held that the petitioner was not entitled to E-4 scale on his absorption in our Company. However, the High Court by its order dated May 22, 2003 quashed the order dated July 5, 2002 of our Director (Personnel) and directed us to grant E-4 scale to the petitioner against which we have filed an appeal (5184/2003). The petitioner has filed a contempt petition before the High Court of Calcutta (1796/2003) against our Chairman and Managing Director and Director (Personnel) alleging non-compliance of the court's order dated May 22, 2003. The contempt petition is pending.

(iii) Power Grid Employees Trade Union, N.R.-I and Mr. A. K. Garg, our chief manager, have filed a writ petition in the High Court of Delhi (W.P. (C) No. 8158-59/2005) against our Company and others. The petitioners have challenged the Power Grid Self Contributory Superannuation Benefit (Pension) Revised Scheme ("Revised Scheme") and the Power Grid Employees Contributory Family Pension Plan ("Pension Plan") on the ground that they are arbitrary and detrimental to the interests of the employees. Pursuant to an agreement with Power Grid National Bipartrite Committee on March 17, 1998 we introduced the Power Grid Self Contributory Superannuation Benefit (Pension) Scheme 2004 ("Pre-Revised Scheme") which was made compulsory to all our employees. We created Power Grid Self Contributory Superannuation Benefit Trust under the Pre-Revised Scheme and executed a trust deed in 1998 for that purpose. Subsequently, on October 1, 2004 we replaced the Pre-Revised Scheme with the Revised Scheme by incorporating certain amendments in the Pre-Revised Scheme. It is alleged that no trust deed has been executed for the revised scheme and no consent of employees has been taken before implementing the revised scheme. It is therefore alleged that the Revised Scheme is in contravention of provisions of the Indian Trust Act, 1882 and the Indian Contract Act, 1872. The petitioners have prayed for quashing the Revised Scheme and also for quashing the trust deed created under the Pre- Revised Scheme and for dissolving the trust. The petitioners have also prayed for quashing the pension plan on the ground that the same is not in pursuance to any statute hence, not binding on the employees. The High Court by its interim order dated May 10, 2005 has asked petitioners to make their contributions to the trust established in 1998. The petitioners have further filed a contempt petition in the aforesaid writ petition against our Chairman and Director (Personnel) alleging the violation of the court's interim order on the grounds that we continue to charge the petitioner's contribution under the Revised Scheme. The contempt petition is currently pending.

V. Litigation against our Subsidiaries:

There is no litigation pending against any of our Subsidiaries before any court, authority or tribunal in India.

VI. Litigation against our Joint Ventures:

Except as described below there are no pending litigations against any of our joint venture companies.

(i) There are three civil suits pending against Powerlinks Transmission Limited. These matters relate to injunction and direction against laying transmission lines and for removal of transmission towers. There is no monetary claim claimed against the company. The matters are pending.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities.

A. APPROVALS FOR THE ISSUE

1. The Board of Directors has, pursuant to resolutions passed at its meeting held on January 4, 2007 and March 28, 2007, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

2. The shareholders of our Company have authorised the Issue, pursuant to a resolution dated March 28, 2007, under Section 81(1A) of the Companies Act.

3. The President of India, acting through the Government of India has approved the Issue and the Offer for Sale through letters dated December 4, 2006 and March 6, 2007, respectively.

4. SEBI Letter dated April 5, 2007 granting its approval for relaxing the strict enforcement of the condition (c) of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.

B. APPROVALS FOR OUR BUSINESS

We have obtained several approvals, licenses and permissions from various government departments, governmental agencies and other authorities in relation to our transmission and telecommunications business.

The approvals required to be obtained in relation to our ongoing transmission projects include the following:

(i) Investment approvals from the MoP in respect of investments for more than Rs. 5,000 million;

(ii) Prior approval of the Central Government under Section 18-A of the then Electricity (Supply) Act, 1948 for all transmission projects which commenced prior to 2003 or under Section 68 of the Electricity Act 2003 in respect of all ongoing projects which commenced after 2003;

(iii) Approvals of the MoEF under section 2 of the Forests (Conservation) Act, 1980 for diversion of forest land for the construction of transmission lines/ towers, if applicable;

(iv) Approval of the Supreme Court for erection of transmission lines in areas designated as sanctuaries/ national parks under Writ Petition No. 202 of 1995.

The approvals required to be obtained in relation to our telecommunication business include the following:

(i) Licenses from Department of Telecommunications for operating National Long Distance Service Network and Internet Service under Indian Telegraph Act, 1885 and Telecom Regulatory Authority of India Act, 1997.

(ii) Registration certificate for Infrastructure Provider Category- I (IP-I) from Department of Telecommunications.

In addition to the above, we have obtained certain approvals and registrations under various statutes which are applicable to us. These include the following:

(i) Registration under industrial/labour laws in India including, the Employees Provident Fund and Miscellaneous Provisions Act, 1952, and the Contract Labour (Regulation and Abolition) Act, 1970;

(ii) Registration under tax statutes including the Income Tax Act, 1961 and the Finance Act, 1994.

I. Approvals for our ongoing projects

Projects for which the project cost is above Rs. 5,000 million

1. Transmission System associated with Sipat Stage-I (3 x 660 MW) STPS

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Sipat Stage-I (3 x 660 MW) STPS.	No.12/4/2001-PG	December 10, 2003	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/98-PG.	July 12, 2000	Not applicable.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 345.361 ha of forest land for construction of 765 KV 2X S/C Sipat-Seoni transmission line in Mandla District, Madhya Pradesh.	F.No. 8-122/2003-FC	July 26, 2005	Not applicable
4	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 16.768 ha of forest land for construction of 765 KV transmission line for Sipat-Seoni Circuit 1 & 2.	F.No. 8-122/2003-FC	February 12, 2007	Not applicable
5	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 3.993 ha of additional forest land for construction of 765 KV 2 X S/C Sipat-Seoni transmission lines in Kabirdham District of Chhattisgarh.	F. No. 8-113/2002-FC (Pt-I)	March 30, 2006	Not applicable.
6	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 126.733 ha of forest land for construction of 765 KV transmission lines from Sipat to Seoni in Kawardha District of Chhattisgarh.	F.No. 8-113/2002-FC	June 9, 2003	Not applicable.
7	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 213.69 ha of forest land for construction of 400 KV D/C transmission lines from Seoni to Khandwa Districts of Madhya Pradesh.	F.No. 8-56/2003-FC	February 23, 2005	Not applicable

2. Transmission System associated with Vindhyachal Stage-III (2 x 500 MW) STPS.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Director, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Vindhyachal Stage-III (2 x 500 MW) STPS.	No.12/2/2003-PG	July 23, 2004	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/1998-PG	May 27, 2003	Not applicable.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 64.520 ha of forest land.	F. No. 8-18/2004-FC	March 21, 2005	Not applicable.

3. Transmission System associated with Sipat Stage-II (2 x 500 MW) STPS

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Sipat Stage-II (2 x 500 MW) STPS	No.12/10/2003-PG	August 23, 2004.	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/1998-PG	December 26, 2002	Not applicable.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 16.974 ha of forest land for construction of 400 KV transmission line from Khandwa to Rajgarh in Madhya Pradesh.	6 MPC048/2005-BHO/3168.	May 24,, 2007	Not applicable.
4	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 58.592 ha of forest land for construction of 765 KV S/C Bina-Gwalior transmission line in Gwalior District and Ashok Nagar, Madhya Pradesh.	F. No. 8-5/2005-FC	March 9, 2006	Not applicable.

4. Transmission System associated with Kahalgaon Stage-II Phase-I (2 x 500 MW) Power Project.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Kahalgaon Stage-II Phase-I (2 x 500 MW) Power Project.	No.12/16/2003-PG	October 12, 2004.	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No.11/16/2003-PG	January 14, 2004	Not applicable.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 10.0664 ha (6.8264 ha in Kangsbati Division & 3.24 ha in Purulia Division) of forest land for construction of 400	5-WBC002/2005-BHU	June 28, 2006	Not applicable

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
	KV Ranchi-Maithon transmission line.			
4	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 19.596 ha (10.773 ha P.F & 8.823 ha in Jungle Jhari) of forest land for Ranchi-Maithon transmission line	5-JHC021/2006-BHU	April 18, 2007	Not applicable

5. System Strengthening-III of Southern Region Grid.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the implementation of the scheme for System Strengthening-III of Southern Region Grid.	No.12/14/2003-PG	October 26, 2004.	Not applicable.
2.	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.889 ha of forest land in Kumbalagod Forest in Ramanagaram Range, Bangalore Rural District for construction of 400 KV/DC line from Nelamangala to Somanahalli.	Government Order No. FEE 66 FGL 2006, Bangalore	August 2, 2006	Not applicable.

6. Transmission System associated with Neyveli Lignite Corporation-II

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Director, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Neyveli Lignite Corporation-II (NLC-II) Expansion Project.	No.12/17/2003-PG	January 11, 2005.	Not applicable.
2.	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3.	In principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 4.724 ha of forest land for construction of 400 KV transmission line from Madurai to Pugalur in Tamil Nadu*.	4-TNB275/2007-BAN/.	May 7, 2007	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

7. Transmission System associated with Kahalgaon Stage-II Phase-II (1 x 500 MW) Project.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Director, Ministry of Power conveying administrative approval and expenditure sanction of the President to the construction of Transmission System associated with Kahalgaon Stage-II Phase-II (1 x 500 MW) Project.	No.12/21/2003-PG	January 24, 2005.	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.
3	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 20.901 ha (17.277 ha PF & 3,623 ha Jungle Jhari) of forest land for Ranchi-Sipat transmission line.*	5-JHC020/2006-BHU	March 1, 2007	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

8. Transmission System associated with Kaiga-3 & 4 (2x235 MW) Project

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Transmission System associated with Kaiga-3 & 4 (2x235 MW) Project	No.12/12/2003-PG	March 29, 2005.	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3.	In principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 39.8424 ha of forest land for construction of 400 KV transmission line from Mysore to Kozhikot in Kerala*.	4-KLC244/2006-BAN/.	April 10, 2007	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

9. Establishment of National Load Despatch Centre.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Establishment of National Load Despatch Centre.	No.12/15/2003-PG	May 12, 2005.	Not applicable.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/98-PG	June 15, 2003	Not applicable.

10. Transmission System associated with Kudankulam Atomic Power (2x1000 MW) Project

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Director, Ministry of Power, conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Transmission System associated with Kudankulam Atomic Power (2x1000 MW) Project	No.12/18/2003-PG	May 25, 2005.	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	September 24, 2004	Not applicable.
3	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 1.058 ha of forest land in Vellikulangara Forest Range, Chalakudy Forest Division.	No. 4-KLB-187/2006-BAN	August 3, 2006	5 years

11. Transmission System associated with Rajasthan Atomic Power Project-5 & 6 (2x 220 MW)

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power, conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Transmission System of POWERGRID associated with Rajasthan Atomic Power Project-5 & 6 (2x 220 MW)	No.12/12/2003-PG	June 3, 2005.	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 108.62 ha of forest land for construction of 400 KV transmission line in Chittorgarh District of Rajasthan.*	F.No. 8-74/2005-FC	February 8, 2006	The conditions stated in the in-principle approval must be complied with within five years.
4	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 3.7628 ha of forest land for construction of 400 KV transmission line from RAPP to Kakroli	8B/RAJ/04/20/2005/FC/222	May 24, 2007	Not applicable
5.	Approval by the order of the Supreme Court of India allowing our Company to construct transmission lines in Jawahar Sagar wild life sanctuary area (93.18 ha) within the Chambhal-Ghariyal Sanctuary.	IA No. 144 in W.P. (C) No. 202/1995	March 30, 2007	Not applicable.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central

Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

12. Supplementary Transmission System associated with Sipat Stage-II Project.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power, conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Supplementary Transmission System of POWERGRID associated with Sipat Stage-II Project.	No.12/24/2003-PG	June 24, 2005	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	March 1, 2004.	Not applicable.
3	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 3.22 ha of reserved forest land for laying 400 KVDC Akola-Aurangabad Transmission Line in Buldhana District of Maharashtra.*	No. 6MHB148/2006-BHO/ 2292	January 11, 2007	The conditions stated in the in-principle approval must be complied with within five years.
4	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 21.568 ha of forest land for laying 765 KV from Seoni- Wardha transmission line in Chindwada District of Madhya Pradesh*	6-MPc015/2006-BHO/	November 15, 2006	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

13. Transmission System of POWERGRID associated with Koldam Hydro-electric Project (4x200 MW).

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Transmission System of POWERGRID associated with Koldam Hydro-electric Project (4x200 MW).	No.12/19/2003-PG	September 7, 2005	Not applicable.
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.

14. Transmission System associated with Barh Generation Project

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to implementation of Transmission System associated with Barh Generation Project of POWERGRID.	No.12/13/2003-PG	December 12, 2005	Not applicable.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.

15. Northern Regional System Strengthening Scheme-V

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the implementation of Northern Regional System Strengthening Scheme-V of POWERGRID.	No.12/15/2004-PG	June 9, 2006	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.

16. East-West Transmission Corridor Strengthening Scheme of POWERGRID.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Director, Ministry of Power conveying administrative approval and expenditure sanction of the President to the Feasibility Report for East-West Transmission Corridor Strengthening Scheme of POWERGRID.	No.12/5/2004-PG	June 23, 2006.	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/03-PG	April 23, 2004	MoP may withdraw the approval before 3 years after giving one month notice.

17. Western Region System Strengthening Scheme-II

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power, conveying administrative approval and expenditure sanction of the President to the implementation of Western Region System Strengthening Scheme-II of POWERGRID.	No.12/7/2004-PG	July 24, 2006	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	July 8, 2004	Not applicable.

18. Transmission System associated with Parbati-III HEP

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power, conveying administrative approval and expenditure sanction of the President to the implementation of Transmission System associated with Parbati-III HEP of POWERGRID.	No.12/19/2004-PG	July 31, 2006.	Not applicable.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
2	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003	March 13, 2003	Not applicable.

19. Transmission System associated with Gandhar-II Gas Based Power Project

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the implementation of scheme for Transmission System associated with Gandhar-II Gas Based Power Project of POWERGRID.	No.12/24/2005-PG	August 18, 2006.	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No.11/16/2003-PG	February 1, 2005	Not applicable.
3	Approval for incurring advance expenditure of Rs. 14 million by POWERGRID for detailed survey.	No. 12/24/2004-PG.	December 23, 2004.	Not applicable.

20. Eastern Region Strengthening Scheme-I

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from Under Secretary, Ministry of Power conveying administrative approval and expenditure sanction of the President to the implementation of Eastern Region Strengthening Scheme-I of POWERGRID.	No.12/4/2005-PG	October 4, 2006	Not applicable.
2	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	June 3, 2005	Not applicable.

Projects for which the project cost is less than Rs. 5,000 million

21. Enhancement of Transfer Capacity of Talcher-Kolar HVDC Bipole Link.

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	November 27, 2004	Not applicable.

22. NER System Strengthening Scheme-I

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	May 18, 2006	Not applicable.

23. Transmission System associated with Sewa-II HEP

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.
2	Approval of the Jammu and Kashmir Government under the Jammu and Kashmir Forest (Conservation) Act, 1992 for diversion of 80.15 ha of forest land for construction of 132 KV Double Circuit SEWA-II to Mahanpur D/L & 132 KV D/C SEWA-II to Hiranagar in Billawar Forest Division & Kathua Forest Division	Government Order No.SS1-FST of 2006	October 17, 2006.	Not applicable.

24. Strengthening the Singrauli-Vindhyachal Corridor.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.

25. Northern Region System Strengthening Scheme-III

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.
2	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.74 ha of forest land for construction of 400 KV Ludhiana- Malerkotla transmission line	9-PBB109/2005 - CHA/3871	August 9, 2005	Not applicable
3.	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.63 ha of forest land for construction of 400 KV Ludhiana- Malerkotla transmission line	9-PBB113/2005-CHA	April 28, 2005	Not applicable

26. Northern Region System Strengthening-VI, VII & VIII

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	March 29, 2006	MoP may withdraw the approval before the expiry of 3 years after giving one month notice.

27. System Strengthening-V in Southern Region Grid.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	March 23, 2004	Not applicable.

28. Transmission System associated with Koteshwar HEP

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	July 29, 2004	Not applicable.

29. System Strengthening-VI in Southern Region.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	September 24, 2004	Not applicable.

30. Kudankulam Supplementary Transmission Scheme.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	September 24, 2004	Not applicable.

31. Transmission System associated with Unchahar-III Power Project.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	November 23, 2004	Not applicable.

32. Scheme for augmentation of transformation capacity at Moga and Amritsar

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	December 17, 2004	Not applicable.

33. System Strengthening Scheme in South Western Part of Northern Grid-Part A and Part B

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for installation of overhead lines for the installation of overhead lines.	No. 11/16/2003-PG	May 17, 2006	MoP may withdraw the approval

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
				before the expiry of 3 years after giving one month notice.
2.	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 12.466 ha of forest land for laying 400 KV Kota-Metra transmission line in Bundi District of Rajasthan*	8B/RAJ/04/50/2006/FC/34	April 9, 2007	The conditions stated in the in-principle approval must be complied with within five years.
3.	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 8.28 ha of forest land for laying 400 KV Kota-Metra transmission line in Kota District of Rajasthan*	8B/RAJ/04/49/2006/FC/2031	March 7, 2007	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

34. Western Region System Strengthening Scheme-III

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	March 23, 2005	Not applicable.

35. Western Region Strengthening Scheme-IV (WRSS-IV)

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	January 5, 2006.	Not applicable.

36. Badravati-Chandrapur 400 kv D/C Transmission System

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	March 1, 2004.	Not applicable.

37. Western Region System Strengthening Scheme-I.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	May 31, 2004.	Not applicable.

38. North-West Transmission Corridor Strengthening Scheme, which includes Agra-Gwalior 765 kV 2nd S/C line (operated at 400 kV) and Zerda-Kankroli 400 kV D/C line.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior Approval of the Central Government under Section 68 of the Electricity Act 2003 for the installation of overhead lines.	No. 11/16/2003-PG	April 23, 2004.	Not applicable.
2	Approval by the order of the Supreme Court of India allowing our Company to erect two single circuit transmission lines of 765 KV within the Chambhal-Ghariyal Sanctuary.	I.A No. 1480-82 in Writ Petition (C) No. 202 of 1995.	July 14, 2006	Not applicable

39. Transmission system associated with Teesta-V HEP.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	June 13, 2003	Not applicable.
2	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 47.882 ha of forest land for construction of 400 KV transmission line in Darjeeling District.	F.No.8-37/2006-FC	December 27, 2006.	Not Applicable
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 13.735 ha of forest land for construction of 132 KV LILO transmission line from Gayling (West District) to Ranipool (East District) Sikkim.	No. 8-4-5/2003/RONE-SK/658-59	June 2, 2004	Not applicable.

40. Establishment of 400 kV D/c Bina-Nagda transmission line.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	May 12, 2003	Not applicable.
2	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.0832 ha of forest land.*	No. 8B/78/2004-FCW/1428	July 21, 2004	The conditions stated in the in-principle approval must be complied with within five years.
3	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.1352 ha of forest land for construction of 400 KV Nagada-Dahgam transmission line in Sabarkantha District of Gujarat.	No. FCA-1004-70 K	July 13, 2006	Not applicable.

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
4	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.3120 ha of forest land for construction of 400 KV Nagada-Dahgam transmission line in Dahod District of Gujarat.	No. FCA-1004-43-K	August 5, 2006	Not applicable.

41. Establishment of 220/132 kV substations at Kichcha and Pithoragarh (System Strengthening Scheme in Uttaranchal)

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/2003-PG	August 23, 2002.	Not applicable.
2	In-principle approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 2.6565 ha of forest land.*	8BUCP/04/193/2006/FC2153	September 14, 2005	The conditions stated in the in-principle approval must be complied with within five years.

* After receipt of a compliance report from the state government with respect to the fulfillment of certain conditions, formal approval will be issued under Section 2 of the Forest (Conservation) Act, 1980 be the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

42. Transmission System associated with the strengthening scheme in Northern Region (formerly part of Tala Supplementary scheme)

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/98-PG	July 12, 2000	Not applicable.
2	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.832 ha of forest land for construction of 400 KVDC transmission line from Biharsharif to Muzaffarpur.	5-BHB009/2006-BHU	June 7, 2006	Not applicable.
3.	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 0.1826 ha of forest land for construction of transmission line LILO of 400KV S/C Bawana-Bhiwani line from Bahadurgarh to Sampla in Haryana.	9-HRB556/2006-CHA/3108	August 3, 2006	Not applicable
4.	Approval of the Central Government under Section 2 of the Forest (Conservation) Act, 1980 for diversion of 1.0816 ha of forest land for construction of transmission line of 400KV S/C from Jalandhar to Amritsar in Punjab.	9PBB184/2006-CHA/577	March 9, 2006	Not applicable
5.	Approval of the Central Government under Section 2 of the	9PBB185/2006-CHA/784	March 13, 2006	Not applicable

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
	Forest (Conservation) Act, 1980 for diversion of 2.3088 ha of forest land for construction of transmission line of 400KV S/C from Jalandhar to Amritsar in Punjab.			

43. Uri II HEP Transmission System

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	July 30, 2004	Not applicable.

44. Transmission System associated with Parbati II HEP

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 18-A of the Electricity (Supply) Act,1948.	11/4/2003-PG	March 13, 2003	Not applicable

45. System Strengthening Scheme VII of the Southern Region Grid

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	September 24, 2004	Not applicable.

46. System Strengthening Scheme In Roorkee Area In Northern Region

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	October, 18, 2004	Not applicable.

47. System Strengthening Scheme VIII of the Southern Region Grid

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	April 10, 2007	Not applicable.

48. Transmission System associated with Chennai NTPC/TNEB JV TPS

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	April 12, 2007	Not applicable.

49 Transmission System associated with Sasan and Mundra Ultra Mega Power Projects (UNPP's)

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	April 27, 2007	Not applicable.

50. Transmission System associated with Tuticorin JV TPS

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Approval under Section 68 of the Electricity Act, 2003.	No. 11/16/2003-PG	April 27, 2007	Not applicable.

Applications pending with respect to our ongoing projects

(i) Forest (Conservation) Act, 1980

We have made applications to the concerned state governments for approval to be issued by the Government of India for diversion of forest land for certain of our projects in which we are required to erect transmission lines in forest areas. Pending the formal approval by the Central Government we cannot commence construction work in the areas for which we have applied for diversion of forest land. The projects with respect to which we have made such applications which are pending are set forth below.

1) Transmission System associated with Koldam Hydro-electric Project (4x200 MW).
2) Transmission System associated with Barh Generation Project
3) Northern Regional System Strengthening Scheme-V
4) East-West Transmission Corridor Strengthening Scheme of POWERGRID.
5) Western Region System Strengthening Scheme-II
6) Transmission System associated with Parbati-III HEP
7) Transmission System associated with Gandhar-II Gas Based Power Project
8) Eastern Region Strengthening Scheme-I
9) Northern Region System Strengthening Scheme.
10) Northern Region System Strengthening-VI, VII & VIII
11) Kudankulam Supplementary Transmission Scheme
12) Western Region System Strengthening Scheme-III
13) East-West Transmission Corridor Strengthening- Ranchi-Rourkela-Raigarh 400 KV D/C line
14) Transmission System associated with Unchahar-III Power Project
15) Uri-II HEP Transmission System
16) Transmission System Associated with Parbati II HEP

II. Licenses and approvals for our telecommunication business

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
1	Letter from the Deputy Secretary to the Government of India, Ministry of Power conveying the administrative approval and expenditure sanction of the President to the establishment of Backbone Telecom Network for POWERGRID.	No. 12/4/2000	March 12, 2003	Not applicable.
2	Certificate of Registration for Infrastructure Provider Category- I (IP-I) from Director (BS-III), Ministry of Communications and Information Technology granting permission to establish and maintain the assets such as Dark Fibres, Right of Way, Duct Space and Tower for granting them on lease/rent/sale basis to the licensees of Telecom Services licensed under Section 4 of the Indian Telegraph Act, 1885	No. 62/2002	November 7, 2002	Not applicable.
3	License for installing, operating and maintaining the National Long Distance Service Network and providing National Long Distance	No. 10-15/06-BS-I (NLD-05)	July 5, 2006	20 years subject to a further extension of 10 years.

Sl.No.	Description	Reference Number	Issue Date	Expiry Date
	Service on a non-exclusive basis with in the territorial boundaries of India pursuant to the License Agreement dated July 5, 2006 entered into with Director (BS-III), Department of Telecommunications.			
4	License for maintaining and operating Internet Service on a non-exclusive basis in the country pursuant to the License Agreement dated May 29, 2003 entered into with Assistant Director General (LR V), Department of Telecommunications.	No. 820-709/2003-LR	May 29, 2003	15 years subject to a further extension of 5 years.

III. Central Sales Tax, General Sales Tax and Value Added Tax Registration Details

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
Central Sales Tax Certificates				
1.	Certificate of Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	AD 5129987	December 5, 1991	Valid until cancellation
2	Certificate of Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	FBD/CST/1209404	July 21, 1993	Valid until cancellation
3	Certificate of Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	CST/1422/01211	October 22, 1992	Valid until cancellation
4	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	309523	May 8, 2006	Valid until cancellation
5	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	HISSAR-23882	February 17, 1989	Valid until cancellation
6	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	5050542/CST	March 23, 1988	Valid until cancellation
7	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	CST-SIM-3945	September 21, 1995	Valid until cancellation
8	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	PJT/02/01/2534/91-92	September 4, 1991	Valid until cancellation
9	Certificate of Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	11858692	December 12, 1991	Valid until cancellation
10	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	25117510	May 18, 1995	Valid until cancellation

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
11	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	16773/PRC	October 4, 2006	Valid until cancellation
12	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	208897	November 8, 1995	Valid until cancellation
13	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	2428(O)	November 14, 2006	Valid until cancellation
14	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	PR-1259	June 17, 1992	Valid until cancellation
15	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	194204	February 5, 1996	Valid until cancellation
16	Certificate of Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	JBP-IV-PTN-1668	December 20, 2000	Valid until cancellation
General Sales Tax and Value Added Tax Certificates				
17	Certificate of Registration under the Delhi Value Added Tax Act, 2004	07680309140	May 12, 2006	Not applicable
18	Certificate of Registration under Himachal Pradesh General Sales Tax Rules, 1969	GST-SIM-III-5654	September 21, 1995	Valid until cancellation
19	Certificate of Registration under the Andhra Pradesh General Sales Tax Act, 1957	PJT/02/1/2704/91-92	September 4, 1991	Valid until cancellation
20	Value Added Tax Registration Certificate	28370137631	March 28, 2005	Not applicable
21	Certificate of Registration under Kerala General Sales Tax Rules, 1963	25112510	September 13, 2004	Valid until cancellation
22	Value Added Tax Registration Certificate	TIN-20350101624	August 31, 2006	Not applicable
23	Certificate of Registration under Section 19 of the Bihar Value Added Tax Ordinance, 2005	TIN-10050053019	April 27, 2005	Not applicable
24	Certificate of Registration under Arunachal Pradesh Sales Tax Act, 1999	12040084176/05	June 7, 2005	Valid until cancellation
25	TAN Certificate under Assam Value Added Tax Act, 2003	KJR/TAN 729	June 23, 2005	Not applicable
26	Certificate under Assam Value Added Tax Rules, 2005	SLC/TAN 4440	August 16, 2006	Not applicable
27	Registration Certificate under Section 24 of the Nagaland Value Added Tax Act, 2005	13040108003	July 20, 2005	Not applicable
28	Registration Certificate under	14010121137	October 18,	Not applicable

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
	Manipur Value Added Tax Rule, 2005		2005	
29	Certificate of Registration under Section 16 of the Maharashtra Value Added Tax Act, 2002	TIN-27690279656 V	April 1, 2006	Not applicable
30	Certification of Registration under the Sales Tax Act/VAT for Punjab	10590514	November 2, 2006	Not applicable

IV. Other approvals and registrations

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1	Permanent Account Number issued by the Income Tax Department	AAACP0252G	October 23, 1989.	Not Applicable
2	Registration with the Regional Provident Fund Commissioner, under the Employees Provident Funds and Miscellaneous Provisions Act, 1952, originally granted in the name of National Power Transmission Corporation Limited but later amended to our Company's name.	Original Reference No:E/DL/12882/Coverage/10679 which was letter amended by E/DL-12882/Relaxed/4520	Original Date of Issue, March 13, 1991.	Not Applicable
3	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at B-9 Qutab Institutional Area, Katwaria Sarai, New Delhi.	DLIL/ST/CE/50/PGEIL/2004	March 11, 2004	Valid till the Company carries on the activity for which the certificate has been issued .
4	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at Sahakara Bhavan No. 32, Race Course Road, Bangalore.	CE/BG.III/170/Power/2002	August 23, 2002	Valid till the Company carries on the activity for which the certificate has been issued
5	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at MCH Complex, Secunderabad.	C. Engg/Hyd. VII/5/98	June 19, 1998	Valid till the Company carries on the activity for which the certificate has been issued or where surrender of the Certificate is accepted by the Central Excise Officer
6	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at MCH Complex, Secunderabad.	AAACP0252GST004	October 9, 2003	Valid till the Company carries on the activity for which the

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
				certificate has been issued.
7	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at Old Arunachal Pradesh Secretariat, G.S Road, Shillong.	283/SH.CEX/S.TAX/2003	March 16, 2004.	Valid till the Company carries on the activity for which the certificate has been issued
8	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at Boring Road, Alankar Place, Patna.	CE/BKP.II/08/PCIL/04	December 8, 2004.	Valid till the Company carries on the activity for which the certificate has been issued.
9	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at Hemkunt Chambers, Nehru Place, New Delhi.	Consulting Engineer/DL/434/98	February 12, 1998	Valid till the Company carries on the activity for which the certificate has been issued.
10	Certificate of Registration under Section 69 of the Finance Act, 1994 for the Company's premises situated at Chandigarh.	04/ST/Consult Engineer/STC/Chad/2001	January 24, 2001	Valid till the Company carries on the activity for which the certificate has been issued
11	Service Tax Code No. for the Company's premises situated at Sampriti Nagar Nari Ring Road, Nagpur, Maharashtra.	AAACP0252GST002	May 22, 2003.	Not applicable.
12	Service Tax Code No. for the Company's premises situated at Bardhaman	AAAC P0252GST009	January 21, 2005.	Not Applicable.
13	Certificate of Registration under sub-section 2 of Section 7 of the Contract Labour (Regulation & Abolition) Act, 1970 for the Company's premises situated at Plot No. 2, Sector-29, Gurgaon.	No. 46 (R-15) 2000 ALF	November 17, 2000	Not applicable.

V. Trademark registrations

Our Company has made the following applications for the registration of trademarks which are pending:

Sl. No.	Details of Application	Date of Application
1.	Application to the Registrar of Trademarks, Trade Mark Registry, New Delhi for registration of the trademark 'Powertel' in Class 38 with respect to telecommunication services	November 28, 2006
2.	Application to the Registrar of Trademarks, Trade Mark Registry, New Delhi for registration of the trademark for the logo of our Company in Class 37, 38 and 42	March 22, 2007

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meetings held on January 4, 2007 and March 28, 2007, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on March 28, 2007 at the Registered Office of our Company.

The President of India, acting through the Government of India has approved the Issue and the Offer for Sale through letters dated December 4, 2006 and March 6, 2007, respectively.

Prohibition by SEBI

Our Company, our Directors, our Promoter and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI and have not been declared as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoter in the past or are pending against our Promoter.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 as:

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;

- We have a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years; and

- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;

The Issue size of up to Rs. [●] million along with the previous issues of Equity Shares in this fiscal 2007 aggregates to Rs [●] million. The said aggregate, i.e., Rs. [●] million, does not exceed five times the pre-Issue net worth as per the audited accounts for the quarter ended June 30, 2007 which is Rs. 557,719.60 million (i.e., 5 x Rs. 111,543.92 million = Rs. 557,719.60 million).

Hence, we are eligible for the Issue under Clause 2.2.1 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company and the Selling Shareholder shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ENAM, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED APRIL 16, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

The filing of the Red Herring Prospectus does not, however, absolve the Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the BRLMs, any irregularities or lapses in the Red Herring Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the ROC in terms of section 60B of the Companies Act, 1956. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the ROC in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from our Company, the Selling Shareholder and the BRLMs

Our Company, the Selling Shareholder, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.powergridindia.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs, the Selling Shareholder and us dated April 14, 2007 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and us.

All information shall be made available by us, the Selling Shareholder and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, FIIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated April 30, 2007 permission to us to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs 100 million and the market capitalization shall not be less than Rs 250 million at the time of listing). The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE

whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated May 7, 2007, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
(ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at the Division of Issues and Listing, SEBI Bhavan, C-4G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the ROC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, our Company and the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholder shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Company; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

M/s. A. R & Company, Umamaheshwara Rao & Co. and SRI Associates, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

Expert Opinion

Except as stated in the section titled "Financial Statements" beginning on page 139 of this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Expense (Rs. in Millions)
Lead management, underwriting and selling commission*	[●]
Advertisement & Marketing expenses*	[●]
Printing, stationery including transportation of the same*	[●]
Others (Registrar's fees, Legal fees, listing fees, etc.)*	[●]
Total estimated Issue expenses	[●]

* Will be incorporated at the time of filing of the Prospectus.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue including fees for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc will be as per the Memorandum of Understanding signed with our Company and the Selling Shareholder, a copy of which is available for inspection at the corporate office of our Company. The Company and the Selling Shareholder, inter se, shall bear such expenses.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights issue by the Company during the last five years.

Issues otherwise than for Cash

Except as disclosed in the section entitled "Capital Structure" at page 23 of this Red Herring Prospectus, we have not issued any equity shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act other than the Subsidiaries, details of which are provided in the section entitled "History and Certain Corporate Matters" beginning on page 101 of this Red Herring Prospectus.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Group/Associate Companies

Our Subsidiaries are unlisted and have not made a public issue of equity shares.

Outstanding Debentures or Bonds

Our Company issues bonds on a private placement basis from time to time. For further details refer to the section entitled "Financial Indebtedness" on page 81 of this Red Herring Prospectus.

Outstanding Preference Shares

There are no outstanding preference shares issued by our Company

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange and thus there is no stock market data for the same.

Other Disclosures

Our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholder and us, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us, the Selling Shareholder or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Ms. Divya Tandon, Company Secretary as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue related problems. She can be contacted at the following address:

"Saudamini", Plot No.2, Sector 29,
Gurgaon 122 001
Tel: +91 (124) 2571 968
Fax: +91 (124) 2571 891
E-mail: investors@powergridindia.com

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Changes in Auditors

Our statutory auditors are appointed by the CAG for every fiscal year. The following are the details of the changes in auditors in the last five fiscal years:

Sl. No.	Name of Auditor	Date of Appointment	Reason for Change in Status
1.	Hingorani M. & Co.	October 3, 2002	Completion of tenure
2.	D.P. Sen & Co.	October 3, 2002	Completion of tenure
3.	Venugopal & Chenoy	October 3, 2002	Completion of tenure
4.	O.P. Bagla & Co.	October 29, 2003	Completion of tenure
5.	B.M.Chatrath & Co.	October 29, 2003	Completion of tenure
6.	Veerabhadra Rao & Co.	October 29, 2003	Completion of tenure
7.	Nataraja Iyer & Co.	August 25, 2004	Completion of tenure
8.	A. R & Company	July 26, 2007	Continuing
9.	Umamaheshwara Rao & Co.	July 26, 2007	Continuing
10.	SRI Associates	July 26, 2007	Continuing

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

There has been no revaluation of assets of our Company since incorporation.

ISSUE STRUCTURE

The present Issue of up to 573,932,895 Equity Shares consists of a Fresh Issue of 382,621,930 Equity Shares and an Offer for Sale of 191,310,965 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. The Issue comprises of a Net Issue of 559,954,895 Equity Shares and a reservation for Employees of 13,978,000 Equity Shares. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

	Employees	**QIB Bidders**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares available for allocation*	Up to 13,978,000 Equity Shares.	At least 279,977,448 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 83,993,234 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 195,984,213 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 2.44% of the Issue**.	At least 50% of Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	125 Equity Shares.	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	125 Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid Amount does not exceed Rs. 2.50 million.	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 125 Equity Shares so that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	125 Equity Shares.	125 Equity Shares.	125 Equity Shares.	125 Equity Shares.
Who can Apply ***	All or any of the following: (a) a	Public financial institutions, as specified in Section 4A of the	Resident Indian individuals, HUFs (in the name of	Resident Indian Individuals, HUFs (in the name of the Karta) and

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	permanent employee of the Company as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. (b) a Director of the Company, whether a whole- time Director, part time Director or otherwise as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.	Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts.	Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	100% of Bid Amount.	At least 10% of Bid Amount.	100% of Bid Amount.	100% of Bid Amount.

*Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill over from other categories at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. If at least 50% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded.

** Any under subscription in Equity Shares, if any, reserved for Employees would be included in the Net Issue and allocated in accordance with the description in Basis of Allocation as described in page 341 of this Red Herring Prospectus.

*** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer for Sale at anytime after the Bid/ Issue Opening Date but before Allotment, without assigning any reason therefor.

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholder shall give credit of Equity Shares Allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. Our Company and the Selling Shareholder shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post or Direct Credit, NEFT, RTGS or ECS at the sole or First Bidder's sole risk within 15 days of the Bid/ Issue Closing Date.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Despatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Bid/ Issue Closing Date; and
- Our Company and the Selling Shareholder shall pay interest at 15% (fifteen) per annum if allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**September 10, 2007**
BID/ISSUE CLOSES ON	**September 13, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum

Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted between **10 a.m. and 3 p.m**. (Indian Standard Time) and uploaded till (i) 5 pm in case of Bids by QIB Bidders and Non Institutional Bidders and; (ii) such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date, in case of Bids by Retail Individual Bidders. Due to the limited time available for uploading Bids on the Bid/Issue Closing Date, Bidders may consider submitting their Bids one day prior to the Bid/Issue Closing Date. Bidders are advised that if a large number of Bids are received on the Bid/Issue Closing Date, it may not be possible to upload all the Bids received on that day during the time available for uploading. Bids that are not uploaded on the Bid/Issue Closing Date will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

On Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and at the terminals of the Syndicate.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, rules, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC, the FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated January 4, 2007 and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on March 28, 2007.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees of Equity Shares in this Issue will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, see the section titled "Main Provisions of the Articles of Association" beginning on page 350 of this Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of the Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The Floor Price is 4.4 times the face value and the Cap Price is 5.2 times the face value.

Compliance with SEBI Guidelines

We shall comply with applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced and allotted;
- Right to receive surplus on liquidation, subject to statutory and other preferential claims being satisfied;

- Right of free transferability of Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements with the Stock Exchanges and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled "Main Provisions of Articles of Association of our Company" beginning on page 350 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 125 Equity Shares subject to a minimum Allotment of 125 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

a. to register himself or herself as the holder of the Equity Shares; or
b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholder regarding refunds, interest for delays, etc for the equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to our Company.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be Allotted under the Issue shall be not less than 1,000.

In the event we are not able to Allot at least 50% of the Net Issue to QIBs, we shall refund the entire application money.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restrictions

As per the existing policy of the government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue. Equity Shares acquired by Eligible NRIs can only be sold to Indian residents and other NRIs.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue of less than 25% of the post-issue capital. However, SEBI has through its letter dated April 5, 2007 permitted the issue of securities to the public through the 100% Book Building Process wherein at least 50% of the Net Issue shall be Allotted to QIB Bidders on a proportionate basis, including 5% of the QIB Portion which shall be available for allocation to the Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the BRLM and/or its affiliates. In case of QIB Bidders, our Company and the Selling Shareholder, in consultation with BRLMs, may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company and the Selling Shareholder to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis.	White
Eligible NRIs applying on a repatriation basis, FVCIs, FIIs, registered multilateral and bilateral development financial institutions and other Non-Residents applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion.	Pink

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines.

2. Indian nationals resident in India who are majors in single or joint names (not more than three);
3. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not permitted to participate in this Issue;
5. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
6. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
7. Scientific and/or industrial research authorized to invest in equity shares;
8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Mutual funds registered with SEBI;
10. FIIs registered with SEBI, on a repatriation basis;
11. Multilateral and bilateral development financial institutions;
12. Venture capital funds registered with SEBI;
13. Foreign venture capital investors registered with SEBI;
14. State Industrial Development Corporations;
15. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
16. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares;
17. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares; and
18. Employees of the Company.

Participation by Associates of BRLMs and Syndicate Members:

Associates of BRLMs and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLMs and Syndicate Members shall be on a proportionate basis.

However, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

The information below is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 125 Equity Shares. A Bid cannot be submitted for more than the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund" beginning on page 346.

(c) **For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, the maximum Bid by an Employee cannot exceed Rs. 2.50 million. The allotment in the Employee Reservation Portion will be on a proportionate basis. However the maximum Bid under the Employee Reservation Portion cannot exceed 13,978,000 Equity Shares.

Information for the Bidders:

(a) Our Company and the Selling Shareholder will file the Red Herring Prospectus with the ROC at least three days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company, the Selling Shareholder and the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with ROC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.

(b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 320 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 325 of this Red Herring Prospectus.

(e) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure - Terms of Payment" beginning on page 323 of this Red Herring Prospectus.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 44 to Rs. 52 per Equity Share of Rs. 10 each, Rs. 44 being the Floor Price and Rs. 52 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of 125.

(b) In accordance with the SEBI Guidelines, our Company and the Selling Shareholder reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(d) Our Company and the Selling Shareholder in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 125 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 13,998,872 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRIs are required to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Form from the Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.

2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through the Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 4,208,841,230 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the aggregate FII investment in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. The Company has not obtained board or shareholders approval to increase the FII limit to more than 24% of its outstanding equity capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Associates and affiliates of the Underwriters, including the BRLMs, that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue.

Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

The SEBI has issued a notification dated October 16, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft red herring prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company, the Selling Shareholder and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company, the Selling Shareholder and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Escrow Mechanism

Our Company and the Selling Shareholder shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid

and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholder, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details see the section titled "Issue Procedure - Payment Instructions" beginning on page 334 of this Red Herring Prospectus.) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 309 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Electronic registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the

Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers and at the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s). Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.
- Investor category – individual, corporate, or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Margin Amount paid upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholder or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the BRLMs and/or their affiliates have the right to accept the Bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders would not be rejected except on the technical grounds listed on page 338.

(g) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder or the BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(h) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

(i) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

(a) Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the data provided by BSE and NSE shall be considered for allocation, subject to receipt of valid Bids by Registrars.

Price Discovery and Allocation

(a) After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

(b) Our Company and the Selling Shareholder, in consultation with the BRLMs, shall finalise the "Issue Price".

(c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus and in consultation with Designated Stock Exchange.

(d) In case of over subscription in all categories, at least 50% of the Net Issue shall be Allotted to QIB Bidders on a proportionate basis out of which 5% shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 13,998,872Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any under subscription in the Employee Reservation Portion would be included in the Net Issue. Under subscription, if any, in any category of the Net Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded.

(e) Allocation to Non Residents applying on a repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for the transfer of Equity Shares to them and to applicable law.

(f) The BRLMs, in consultation with us and the Selling Shareholder, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever. The Selling Shareholder reserves the right to cancel the Offer for Sale any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(i) The Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Signing of Underwriting Agreement and ROC Filing

(a) We, the Selling Shareholder, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement upon finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) The Company will issue an advertisement after the filing of the Prospectus with the RoC in three widely circulated newspapers (one each in English and Hindi). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/ allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investors should note that the Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;

(b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN; and

(c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(d) The issuance of CAN is subject to "Notice to QIBs: Allotment Reconcililation and Revised CANs" as set forth herein.

After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect

details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Designated Date and Allotment of Equity Shares

(a) Our Company and the Selling Shareholder will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company and the Selling Shareholder would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

Letters of Allotment or Refund Orders

We shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the Allotment. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS (subject to availability of information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post intimating them about the mode of credit of refund within 15 working days of the closure of the Issue. Our Company and the Selling Shareholder shall ensure dispatch of refund orders/refund advice (for Direct Credit, NEFT, RTGS or ECS), if any, by "Under Certificate of Posting" or registered post or speed post, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for making refunds to applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and

- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e. Direct Credit, NEFT, RTGS or ECS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by our Company and the Selling Shareholder as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

b) Ensure that you Bid within the Price Band;

c) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.

d) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.

f) Ensure that you have been given a TRS for all your Bid options.

g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

h) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form

j) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid amount in cash, by money order or by postal order or by stock invest.

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

(f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this RHP.

(h) Do not bid at Bid Amount exceeding Rs.100,000 for in case of a Bid by a Retail Individual Bidder;

(i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB;

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRIs and FIIs applying on a repatriation).

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(d) The Bids from the Retail Individual Bidders must be for a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 125 Equity Shares such that the Bid Amount exceeds Rs. 100,000. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that

a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) bids by NRIs for a Bid Amount of up to Rs.100,000 which would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; bids by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 125 Equity Shares thereafter that the Bid Price exceeds Rs.100,000.

(g) Bids by Non Residents, NRIs, FVCIs, FIIs etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(h) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 125 Equity Shares in multiples of 125.

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through Direct Credit, NEFT, RTGS or ECS and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit or credit through Direct Credit, NEFT or RTGS for refunds/CANs/Allocation advice and printing of Company particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained

from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the sole or Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bidcum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

All applicants will be treated on the same basis with other categories for the purpose of allocation.

Bidder's Bank Details

Bidders should note that on the basis of names of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the Bidder bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit, NEFT, RTGS or ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the sole or Bidders sole risk and neither the BRLMs nor the Company or the Selling Shareholder shall have any responsibility and undertake any liability for the same.

In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject such Bids in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made pursuant to a power of attorney by FIIs, FVCIs, VCFs and Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject such Bid in whole or in part, in either case, without assigning any reason therefor.

The Company and the Selling Shareholder, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

(a) a permanent employee of our Company as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.

(b) a Director, whether a whole-time Director, part time Director or otherwise as of the date of filing the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder should be Employees.
- Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum Bid under Employee Reservation Portion by an Employee cannot exceed Rs. 2.50 million.
- Bid by Employees can be made also in the 'Net Issue' portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 13,978,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 13,978,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the

method of proportionate basis of allocation, see the section titled "Issue Procedure-Basis of Allocation" beginning on page 341 of this Red Herring Prospectus.

Bids made by Insurance Companies

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject such Bids in whole or in part.

Bids made by Provident Funds

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 4,208,841,230 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its subaccounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the aggregate FII investment in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. The Company has not obtained board or shareholders approval to increase the FII limit to more than 24% of its outstanding equity capital.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Payment Instructions

Our Company and the Selling Shareholder shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of resident QIB Bidders: **"Escrow Account – POWERGRID Public Issue-QIB-R"**
(b) In case of Non Resident QIB Bidders: **"Escrow Account-POWERGRID Public Issue-QIB-NR"**
(c) In case of resident Bidders: **"Escrow Account – POWERGRID Public Issue-R"**
(d**)** In case of Non Resident Bidders: **"Escrow Account – POWERGRID Public Issue-NR"**
(e) In case of Employees: **"Escrow Account- POWERGRID Public Issue-Employee"**

(iv) In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

(v) In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.

(vi) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

(viii) Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.

(ix) In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India's Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will issue a TRS slip giving the details of the Bids registered and acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and

the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications are electronically strung on first name, address and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

The Company and the Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

In case where there are more than 20 valid applications having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the Depositories.

'PAN' or 'GIR' Number

Pursuant to the Circular (MRD/DoP/Cir 05- 2007) dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market irrespective of the amount of transactions with effect from July 2, 2007. Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central

Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

Pursuant to the Circular (MRD/DoP/Cir 08- 2007) dated June 25, 2007, SEBI has discontinued with the requirement of UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and the Circular (MAPIN/Cir-13/2005) dated July 1, 2005.

Right to Reject Bids

In case of QIB Bidders, the Company and the Selling Shareholder in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, the Company and the Selling Shareholder have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. NRIs, except Eligible NRIs;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. **PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled "Issue Procedure—PAN or GIR Number" beginning on page 337 of this Red Herring Prospectus;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders bidding in excess of Rs. 100,000;
11. Bids for number of Equity Shares, which are not in multiples of 125;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;

20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 320 of this Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act, 1933;
24. Bids by QIBs not submitted through members of the Syndicate; and
25. Bids by employees of the Company or Directors of the Company not eligible to apply in the Employee Reservation Portion.
26. In case of Bid cum Application forms are not available with Registrar to the Issue for reasons such as force meajure, acts of god, flood or similar circumstances.
27. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks.
28. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws.
29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.
30. Bids not uploaded in the Book would be rejected.
31. Bids or Revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid amount is in excess of Rs. 100,000 uploaded after 5 P.M or any such time as prescribed by the Stock Exchange on the Bid/Issue Closing Date.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated June 27, 2007 between NSDL, us and Registrar to the Issue;
b) an agreement dated May 31, 2007 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Ms. Divya Tandon, Company Secretary as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue-related problems. She can be contacted at the following address:

"Saudamini", Plot No.2, Sector 29,
Gurgaon 122 001, India.
Tel: +91 (124) 2571 968
Fax: +91 (124) 2571 891
E-mail: investors@powergridindia.com

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

A. **For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.

- The Net Issue less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this category is for less than or equal to 195,984,213 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this category are for more than 195,984,213 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. **For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this category is for less than or equal to 83,993,234 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.

- In case the valid Bids in this category are for more than 83,993,234 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The Net Issue less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate

allocation to Mutual Funds for an amount of 13,998,872 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 13,998,872 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 279,977,448 Equity Shares.

- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below.

(b) In the second instance allocation to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allotment to QIB Bidders shall be made on a proportionate basis of at least 279,977,448 Equity Shares up to a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Employee Reservation Portion

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 13,978,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

- If the aggregate demand in this category is greater than 13,978,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

- Only Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of allocation in consultation with the Designated Stock Exchange.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(c) In all Bids where the proportionate allotment is less than 125 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 125 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner approved by the Designated Stock Exchange.

(d) If the proportionate allotment to a Bidder is a number that is more than 125 but is not a multiple of 125 (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue details

Sr. No	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (at least 50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

B. Details of QIB Bids

S. No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	500

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 309 of this Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

    1. For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 95 /495
    2. For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
    3. The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

Our Company and the Selling Shareholder shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS (subject to availability of all information for crediting the refund through ECS) except where applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS.

In case of other applicants, the Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS.

Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

Our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

Our Company and the Selling Shareholder shall ensure dispatch of allotment advice, refund orders and shall give credit of Equity Shares allotted, if any to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.

Our Company and the Selling Shareholder shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we and the Selling Shareholder further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;

- Refunds shall be made within 15 days from the Bid/Issue closing date at the sole or First Bidder's sole risk, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS; and

- Our Company and the Selling Shareholder shall pay interest at 15% (fifteen) per annum if allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us and the Selling Shareholder, as an Escrow Collection Bank and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the sole or Bidder's sole risk and neither the BRLMs nor the Company and the Selling Shareholder shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

I. Direct Credit

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

II. NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

III. RTGS

Applicants having a bank account at any of the abovementioned 15 centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

IV. ECS

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 15 centres.

Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that applicants having a bank account at any of the 15 centres where the clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II, III and IV above. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, prior to the Bid/Issue Opening Date, the refund orders would be dispatched under "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the refund orders or Allotment advice to the non-resident Indians shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.

Undertakings by the Selling Shareholder

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time;
- that the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholder;
- that the refund orders or Allotment advice to all the successful Bidders shall be dispatched within specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Our Company and the Selling Shareholder shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholder, the net proceeds of the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Withdrawal of the Issue

The Company in consultation with the BRLMs reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, through paragraph 2(e) of Press Note 4 (2006 series) has allowed the transfer of shares from residents to Non Residents in financial services under the automatic route subject to the sectoral policy on FDI.

At present, investments in a company engaged in the transmission of power falls under the automatic approval route for FDI/NRI investment up to 100 %. However, under the license agreement for National Long Distance Service (License No. 10-15/06-BS-I (NLD-05) and the Internet Service Provider license obtained by the Company the total foreign composite holding shall not exceed 74%. The proportionate foreign holding of an Indian company which holds Equity Shares of our Company will also be counted towards the ceiling of 74% provided that the foreign component in the total holding of Indian public sector banks and Indian public sector financial institutions will not be counted as foreign holding.

Subscription by Eligible NRIs/FIIs/FVCIs

It is to be distinctly understood that there is no reservation for Non Residents including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or their consolidation/splitting are as detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

Share Capital	4	The Authorised Share Capital of the Company shall be such amount and be divided into such shares as may from time to time be provided in Clause V of the Memorandum of Association with power to increase or reduce the capital and divide the shares in the capital of the Company for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights including as to voting, privileges or conditions as may be determined in accordance with these presents and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the said Act.
Allotment of Shares	5A(i)	Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of Section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or at premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or subject to the provisions of Section 79A of the Act for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid – up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
Calls on Shares/ Debentures	5A(ii)	The Board of Directors may from time to time, make calls upon the members or debenture-holders or holders of securities issued by the Company in respect of any moneys unpaid on their shares or debentures or securities and specify the time or times of payments and each member or debenture holder or the holder of the securities shall pay to the Company at the time or times so specified the amount called on his shares /debentures/ securities. Provided however that the Directors may from time to time at their discretion extend the time fixed for the payment of any call.

When interest on calls payable	5A(iii)	If the sum payable in respect of any call be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share/debenture/ securities in respect of which a call shall have been made, shall pay interest on the same at such rate as the Board of Directors shall fix, from the day appointed for the payment thereof to the day of actual payment, but the Board of Directors may waive payment of such interest wholly or in part.
Calls paid in advance	5A(iv)	The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by Directors provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures and other securities of the Company.
Sums deemed to be call	5A(v)	Any sum which by the terms of issue of a share / debenture/ security becomes payable on allotment or at any fixed date, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non – payment all the relevant provisions of these Articles as to payment of interest and forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
Partial payment not to preclude forfeiture	5A(vi)	Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member / debenture holder / holder of securities to the Company in respect of his shares / debentures / securities, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares / debentures / securities as provided in these Articles.
Right of Members or Debenture holders to certificates	6	Subject to the requirements of Listing Agreement and the bye laws of the Stock Exchanges where the securities issued by the Company are listed for trading, every member / debenture holder shall be entitled , without payment, to one or more certificates in marketable lots, for all the shares / debentures of each class or denomination registered in his name, or if the Directors so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one or more of such shares / debentures and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares / debentures, as the case may be. Every certificate of shares / debentures shall be under the seal

of the Company and shall specify the number and distinctive numbers of shares / debentures in respect of which it is issued and amount paid-up thereon and shall be in such form as the Directors may prescribe or approve, provided that in respect of shares / debentures held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares / debentures to one of several right holders shall be sufficient delivery to all such holders.

Provided that in case of securities held by the Member/Debenture holder in dematerialized form, no Share/Debenture Certificate(s) shall be issued.

Issue of new certificates in place of one defaced, lost or destroyed	7	Subject to the requirements of the Act or the Securities Contracts (Regulation) Act, 1956 and the Rules or Regulations made thereunder or the Listing Agreement and the bye laws of the Stock Exchanges where the securities issued by the Company are listed for trading, or any other applicable law, if a security certificate is defaced, lost or destroyed, torn, mutilated, worn out or where the pages on reverse for recording transfers have been utilized, a new certificate shall be issued free of charge, and if any such certificate be lost or destroyed, then on such terms, evidence and indemnity and payment of expenses incurred by the Company, as the Directors may think fit.
Company's Lien on Shares or Debentures	7(A)	The Company shall have a first and paramount lien- i) On every share or debenture (not being a fully paid share or debenture),for all moneys (whether presently payable or not) called or payable at a fixed time, in respect of that share or debenture; ii) On all shares and debentures (not being fully paid up) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Company; and iii) On all shares or debentures for which the allotment money (whether in full or part) was deferred or kept as term deposit, as a condition of subscription by allottee to the shares or debentures. Provided that the Board of Directors may at any time declare any share or debenture to be wholly or in part exempt from the provisions of this Article. iv) The Company's lien, if any, on a share or debenture shall extend to all dividends, bonus or interest payable thereon. v) The Company's lien, if any, on a share or debenture shall extend to the proceeds of the sale of any such shares/ debentures provided that no equitable interest in any share shall be created except upon the condition that this Article will have full effect. Unless otherwise agreed, the registration of a transfer of shares/ debentures shall operate as a waiver of the Company's lien, if any, on such shares/ debentures.

7(B) The Company may sell, in such manner as the Board thinks fit any shares or debentures on which the Company has a lien provided that no sale shall be made-

i) Unless a sum in respect of which the lien exists is presently payable, or

ii) Until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or debenture or the person entitled thereto by reason of his death or insolvency.

7(C) (i) To give effect to any such sale, the Board may authorise some person to transfer the shares or debentures sold to the purchaser thereof.

(ii) The purchaser shall be registered as the holder of the shares or debentures comprised in any such transfer.

7(D)(i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(ii) The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares or debentures before the sale, be paid to the person entitled to the shares or debentures at the date of the sale.

Forfeiture of shares or debentures

7(E)(i) If a member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

(ii) The notice aforesaid shall:

(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(b) state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited.

(c) if the requirements of any such notice as aforesaid are not complied with, any share or debenture in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(iii) A forfeited share or debenture may be sold or otherwise disposed off on such terms and in such manner as the Board thinks fit.

(iv) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

	7 (F) (i)	A person whose share or debenture have been forfeited shall cease to be a member or holder in respect of the forfeited shares for debentures, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the share or debenture.
	(ii)	The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.
	7 (G) (i)	A duly verified declaration in writing that the declarant is a Director, Manager or the Secretary of the Company, and that a share or debenture in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated, as against all persons claiming to be entitled to the shares or debentures.
	(ii)	The Company may receive the consideration, if any, given for the share or debenture on any sale or disposal thereof and may execute a transfer of the share or debenture in favour of the person to whom the share or debenture is sold or disposed off.
	(iii)	The transferee shall thereupon be registered as the holder of the share or debenture.
	(iv)	The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share or debenture.
	(v)	The provisions of these regulations as to forfeiture shall apply in the case of non payment of any sum which, by the term of issue of a share or debenture, becomes payable at a fixed time, whether on account of the nominal value of the share or debentures by way of premium, as if the same had been payable by virtue of a call duly made and notified.
Company may buy back its own securities	7H	Notwithstanding any provision to the contrary in these Articles, the Company may buy back its own securities subject to the provisions contained in Sections 77A, 77AA and 77B of the Act, as amended from time to time.
Surrender of Shares /debentures / Securities	7I	Subject to applicable provisions of the law, the Board may accept from any shareholder/debenture/security holder on such terms and conditions as shall be agreed a surrender of all or any of his shares /debentures / securities.
Register and Index of Members / Debenture holders	7J	The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/ Debenture holders (the Register) in accordance with Section 150 and 151 and other applicable provisions of the Act and the Depositories Act, with the details of shares / debentures held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium. The Register and Index of Beneficial Owner maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of Members/ Debenture holders for the purpose of the Companies Act and any amendment or re-enactment thereof. The Company shall have power to keep in any State or Country outside India, a Register of Members / Debenture holders for the resident in that State or Country.

TRANSFER AND TRANSMISSION OF SHARES OR DEBENTURES OR OTHER SECURITIES

Transfer and transmission of shares or debentures or other securities	8(i)	The Company shall register the transfer of securities subject to the applicable provisions of the Act, Depositories Act, Listing Agreements with the Stock Exchanges where the securities of the Company are listed and any other applicable law from time to time. Further, the Board may, at its own absolute and uncontrolled discretion, but subject to applicable law and further subject to the right of appeal, and by giving reasons, decline to register or acknowledge any transfer of shares / debentures / other securities, whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures / other securities in whatever lot shall not be refused. The instrument of transfer in case of shares/ debentures / other securities held in physical form shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares / debentures / other securities and registration thereof. A common form of transfer of shares or debentures or other securities as the case may be, shall be used by the Company. Further, the Board may, subject to applicable law and these Articles and further subject to the right of appeal, decline to register: a) the transfer of a share or debentures not being fully- paid, to a person of whom they do not approve; b) any transfer of shares or debentures on which the Company has a lien, or when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor; c) when the transferor objects to the transfer, provided he serves on the Company within a reasonable time a prohibitory order of a Court of competent jurisdiction.
No fees to be charged	8(ii)	No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document
Register of Transfers	9	The Company shall, if the Shares/ Debentures/ Securities of the Company are not in dematerialized form, keep a Register of Transfer

of Shares (and Debentures or other securities) and therein enter the particulars of several transfers or transmission of any shares or debentures or other securities.

Execution of transfers	10(i)	The instrument of transfer of any share or debenture or other securities in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain holder of the share or debenture or security until the name of the transferee is entered in the Register of Members or Debenture holders / other Security holders in respect thereof.
Closing of Registers of Members and Debenture / Other Security holders	10 (ii)	The Register of Members / Debenture / Securities holders may be closed for any period or periods not exceeding 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated.

DEMATERIALIZATION OF SECURITIES

Dematerialization / Re-materialization of securities	11A(i)		Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing securities, rematerialize its securities held in the Depositories and/or offer its fresh securities in dematerialized form pursuant to the provisions of the Depositories Act, 1996 and the rules framed thereunder, if any.
	(ii)		Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with the Depository. Such person who is the Beneficial Owner of the securities can at any time opt out of the Depository, if permitted by law, in respect of any security in the manner and within the time prescribed. If a person opts to hold his securities with Depository, the Company shall intimate such Depository, the details of allotment of the security and in receipt of the information, the Depository shall enter in its record the name of the allottees as the Beneficial Owner of the securities.
Securities in Depository to be in Fungible Form	(iii)		All securities in depository shall be dematerialized and be in fungible form. Nothing contained in Section(s) 153, 372A and such other provisions of the Act as may be applicable, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners. In such event the right(s) and obligation(s) of the shareholder(s) / debenture holder(s) and the matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996 or any statutory modification thereto or re-enactment thereof.
Rights and Liabilities of Beneficial	(iv)	a	Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of

Owner(s)			ownership of security on behalf of the Beneficial Owners.
		b	Save as otherwise provided in (a) above, the Depository as the registered owner of the Security(ies) shall not have any voting right(s) or any other right(s) in respect of the security(ies) held by it.
		c	The Beneficial Owner of securities shall be entitled to all the right(s) and benefit(s) and be subject to all the liabilities in respect of Security(ies), which are held by a Depository.
Service of Documents	(v)		Notwithstanding anything to the contrary contained in the Act or Articles, where Security(ies) are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode by delivery of floppies or discs.
Provisions of Articles not to apply to security(ies) held in Depository	(vi)		Nothing contained in Section 108 of the Act or Articles 6 to 11 of the Articles of Association, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
Allotment of Securities to be dealt within a Depository	(vii)		Where securities are to be dealt with by the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
Distinctive number of securities held in dematerialized form	(viii)		Nothing contained in the Act or the Articles regarding the necessity of having distinctive numbers on securities issued by the Company shall apply to securities held with a Depository.
Trading of securities in Demat Mode"	11 (ix)		Notwithstanding anything contained in these Articles, the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post-listing shall be in the demat segment of the relevant Stock Exchange(s) where the securities issued by the Company are listed for trading, in accordance with the directions of SEBI, the Stock Exchanges and in terms of the listing agreements to be entered into with the said Stock Exchange(s).
Nomination	11B.	(i)	Every share/debenture/ security holder and a depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his shares/debentures/ securities or deposits in the Company standing in his name shall vest in the event of his death
		(ii)	Where the Shares or Debentures or Securities or Deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures or securities or deposits in the Company, as the case may be, shall vest in the event of death of all the joint holders.

(iii) Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such shares/debentures, securities or deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the shares/debentures/ securities or deposits in the Company, the nominee shall on the death of the share/debenture/ security holder or a depositor or on the death of the joint holders as the case may be, become entitled to all the rights in such shares/debentures/ security or deposits, as the case may be, all the joint holders in relation to such shares/debentures/security or deposits, to the exclusion of all persons, unless the nomination is varied, cancelled in the prescribed manner.

(iv) Where the nominee is a minor, it shall be lawful for the holder of the shares/debentures/ security or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares/debentures/ securities or deposits in the Company, in the event of his death, during the minority.

Transmission of Securities by Nominee

11C A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-

(i) To be registered himself as holder of the share/debenture/ security or deposits, as the case may be; or

(ii) To make such transfer of the share/debenture/ security or deposits, as the case may be, as deceased share/ debenture/ security holder or depositor could have made.

(iii) If the nominee elects to be registered as holder of the share/debenture/security or deposits himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased share/debenture/ security holder or depositor, as the case may be;

(iv) A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the shares/debentures/ securities or deposits except that he shall not, before being registered as a member in respect of his share/debenture/security or deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company or the meetings of the holders of the debenture / security or deposits.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares/debentures/ securities or deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all

dividends, bonuses or other money(s) payable or right(s) accruing in respect of the shares/debentures/ securities or deposits, until the requirements of the notice have been complied with.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of Capital	12(i)	Subject to the provisions of the Act, the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe.
Terms of issue of Debentures/ Other Securities	12(ii)	Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
On what condition new shares may be issued	13	New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct.
Further Issue of Shares	13A	1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un -issued capital or out of the increased share capital then: (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on those shares at the date. (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined. (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof and shall contain a statement of this right, provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him. (d) After expiry of the time specified in the aforesaid notice or

on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:

   (a) If a special resolution to that effect is passed by the Company in General Meeting, or

   (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

   (a) to extend the time within which the offer should be accepted; or

   (b) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

   (i) to convert such debentures or loans into shares in the Company; or

   (ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

   Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

   a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and

   b) in the case of debentures or loans or other than debentures issued to or loans obtained from the Government in this

behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

When to be offered to existing members

14. The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Article 5A(i) to 5A(vi).

Same as original capital

15. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Sub-Division and Consolidation of shares

17 Subject to the provisions of the Act, the Company in a General Meeting may from time to time sub- divide or consolidate its shares or any of them and exercise any of the other powers conferred by sub-section (i)(a) to (e) of Section 94 of the Act, and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

BORROWING POWERS

Power to Borrow

18 Subject to the provisions of Section 58A, 292 and 293 of the Act, and Government Guidelines issued from time to time, the Board may by means of a resolution passed at the meeting of the Board, from time to time, borrow or secure the payment of any sum or sums of the money for the purpose of the Company on such terms and conditions as may be approved by the Board, subject, however, that the Board shall not without the sanction of the Company in a General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate for the time being of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

Issue at discount etc. or with special privileges

19 Subject to Section 79 and 117 of the Act, any debentures may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings and allotment of shares.

GENERAL MEETINGS

Notice of General Meeting

20. At least Twenty one clear days' notice in writing, specifying the place, day and hour of General Meetings, with a statement of the business to be transacted at the meeting shall be served on every member in the manner provided by the Act but with the consent, in writing, of all the members entitled to receive notice of the same, any General Meeting may be convened by such shorter notice and in such manner as those members may think fit.

Omission to give notice not to invalidate a resolution passed

21. The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.

Quorum	22.	Five Members present in person or by duly authorised representative shall be quorum for a General Meeting of the Company.
Chairman of General Meeting	23.	The Chairman of the Board of Directors or in his absence the Vice-Chairman shall be entitled to take the Chair at every General Meeting but if neither the Chairman nor the Vice-Chairman is to be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and, if no Director shall be present or if all the Directors present declined to take the Chair, then the Members present shall choose one of their Members to be Chairman.
Chairman's decision conclusive	24	The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

VOTES OF MEMBERS

Votes	25.(i)	Every Member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.
Postal Ballot	25(ii)	Notwithstanding anything contained in the Articles of the Company, the Company may in respect of any business but shall in respect of the businesses prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time, adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) instead of transacting such business in a General Meeting of the Company subject to compliances with the procedure for such Postal Ballot and/ or other requirements prescribed in the aforesaid rules in this regard.
Vote in respect of shares of deceased members	26.	Any person entitled under the Transmission clause to transfer any share may vote at a General Meeting in respect thereof as if he was registered holder of such shares provided that at least 72 hours before the time of holding the Meeting or adjourned Meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.
No member to vote unless calls are paid up.	26(ii)	No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

BOARD OF DIRECTORS

Company to be managed by a Board of Directors	29	The business of the Company shall be managed by the Board of Directors.
Powers of Board of Directors on	29A.	Without prejudice to the general powers conferred by the last preceding Article, and the other powers conferred by these Articles,

Capital Expenditure, Subsidiaries, JVs etc.

and subject to the provisions of the Act, the Board of Directors shall have the following powers :

(i) to incur capital expenditure on new projects, modernization. purchase of equipments, etc. without Govt. approval upto Rs. 5,000 million or equal to the networth of the Company, whichever is lower.

(ii) to establish joint ventures and subsidiaries in India such that the equity investment of the Company shall be limited to Rs. 5,000 million in any one project and not exceed 15% of the networth of the company in any one project and 30% of the networth of the company in all joint ventures/subsidiaries put together.

(iii) to establish subsidiaries and opening up offices abroad with the concurrence of Administrative Ministry.

(iv) to enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to Government of India guidelines as may be issued from time to time.

(v) To enter into mergers and acquisitions subject to the conditions that (i) it is as per the growth plan and in the core area of functioning of POWERGRID; (ii) conditions limits would be as in the case of establishing joint ventures/ subsidiaries as specified in sub -clause (ii) above, and (iii) the Cabinet Committee on Economic Affairs shall be kept informed in case of investments abroad.

Provided that the exercise of powers under (i) to (v) above shall be subject to the following:

a) the Company does not depend upon budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same will be obtained from the Ministry of Finance through the Administrative Ministry. Such Government guarantee will not affect the Miniratna status,

b) the required funds can be found from the internal resources of the Company or through extra budgetary sources,

c) that the Company has not defaulted in repayment of loans/interest payment on any loans due to Government.

Notwithstanding the above, further amendments from time to time in the Miniratna Guidelines on investment powers/JV investment powers, shall have an overriding effect.

Number of Directors

30. The President shall from time to time determine the number of Directors of the Company which shall not be less than 4 (four) and not more than 18 (eighteen). These Directors may either be whole time Directors or part time Directors.

Appointment of Board of Directors

31(i) (a) The Chairman shall be appointed by the President. All other members of the Board of Directors including Vice-Chairman shall be appointed by the President in consultation with the Chairman of the Company. No such consultation will be necessary in case of appointment of Directors representing the Government and Nominee Directors appointed by Financial Institutions / Banks.

(b) The President may, from time to time, appoint the Chairman or any of the Directors to the Office of Managing Director(s) of the Company for such term and such remuneration (whether by way of salary or otherwise) as he may think fit and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places in accordance with the provision of Article 32. Any such Chairman/Director appointed to any such office shall, if he ceases to hold the office of Chairman/Director from any cause, ipso facto, immediately cease to be Managing Director(s).

(c) (i) The Directors shall be paid such salary and/or allowances as the President may, from time to time determine subject to the provisions of Section 314 of the Act, such reasonable additional remuneration as may be fixed by the President may be paid to any or more of the Directors for extra or special services rendered by him or them or otherwise.

(ii) The Chairman will be appointed subject to such terms and conditions as may be determined by the President.

(iii) Two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.

A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.

If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed at the adjourned meeting, unless:

(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such director has been put to the meeting and lost;

(ii) the retiring director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;

(iii) he is not qualified or disqualified for appointment;

(iv) a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act;

(v) the proviso to sub-section (2) of Section 263 is applicable to the case.

(iv) A Director representing a Ministry of the Government of India shall retire on his ceasing to be an official of that Ministry.

(v) The President may from time to time remove any part-time Director, from office at his absolute discretion. Chairman and wholetime Directors may be removed from office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of the pay in lieu of the notice period.

(vi) The President shall have the right to fill any vacancy in the office of the Directors caused by removal, resignation, death or otherwise.

Powers of Chairman

34

(a) The Chairman shall reserve for decision of the President, any proposals or decisions of the Board of Directors or any matter brought before the Board which raises in the opinion of the Chairman, any important issue and which is on that account fit to be reserved for the decision of the President and no decision on such an important issue shall be taken in the absence of the Chairman appointed by the President.

(b) Without prejudice to the generality of the above provision, the Board shall reserve for the decision of the President any matter relating to :

(i) Incurrence of capital expenditure except as provided in Article 29A.

(ii) Formation of subsidiary companies, joint venture, strategic alliances except as provided in Article 29A.

(iia) to enter into mergers and acquisitions except as provided in Article 29A.

(iii) The Company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.

(iv) The Annual and five-year annual plans for development and the Company's capital budget.

(v) Winding up of the Company

(vi) Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the Company.

Powers of President to issue

35.

Notwithstanding anything contained in all these Articles, the President may from time to time issue such directives or

directives

instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner, may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:

(i) To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest.

(ii) To call for such returns, accounts and other information with respect to the property and activities of the Company as may be required from time to time.

(iii) To promote wholly or partly owned Company(ies) or subsidiary(ies) including participations in their share capital irrespective of the sources from which the operations of such Companies are to be financed.

(iv) To determine in consultation with the Board annual, short and long term financial and economic objectives of the Company.

(v) To take decisions regarding entering into partnership and/or regarding arrangements for sharing profits.

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

Board may set up Committee

41. The Board may, subject to the provisions of Section 292 of the Act, delegate any of their powers to Committees consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Directors. The proceedings of such a Committee shall be placed before the Board of Directors at the next Board Meeting or in a subsequent meeting of the Board held within a period of three months.

Specific Powers given to the Board

45. Subject to the provisions of the Act and without prejudice to the general power conferred by these Articles, the Board shall have the following powers, that is to say, powers :

To make bye-laws

(a) To make, vary and repeal from time to time bye-laws for the regulation of the business of the Company, its officers and servants;

To pay & charge interests, etc

(b) To pay and charge to the capital account of the Company any interest lawfully payable thereat under the provisions of the Act;

To acquire property

(c) To purchase, take on lease or otherwise acquire for the Company property, rights or privileges which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit;

To pay for property in debentures

(d) To pay for any property or rights acquired by or services rendered to the Company, either wholly etc. or partially in

		cash or in shares, bonds, debentures, debenture stock or in shares that may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, debenture stock or other securities may be either specifically charged upon or any part of the property of the Company and its uncalled capital or not so charged;
To secure contracts by mortgage	(e)	To secure the fulfillment of any contracts or engagements entered into, the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit;
To refer to arbitration	(f)	To refer any claim or demand by or against the Company to arbitration and observe and perform the awards;
To invest money	(g)	To invest in the Reserve Bank of India or in such securities as may be approved by President and deal with any of the moneys of the Company upon such investment authorised by the Memorandum of Association of the Corporation (not being shares in the Company) and in such manner as they think fit and, from time to time to vary and realise such investments;
To give bonus, To create provident fund	(h)	To provide for the welfare of employees or ex-employees of the Company or of its predecessors in business and the wives, widows and families of the dependents or connections of such employees or ex-employees by building or contributing to building of houses, dwellings or chawls or by grants of money allowances, bonuses, profit sharing bonuses, or benefit of any other kind or by creating and from time to time subscribing or contributing to provident and other association, institution funds, profit sharing or other schemes or trusts or by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and any other form of assistance, welfare or relief as the Directors shall think fit;
To subscribe to other funds	(i)	To subscribe or otherwise to assist or to guarantee money to scientific institutions or objects;
To create depreciation & other funds	(j)	To set aside before recommending any dividend out of the profit of the Company such sums as they may think proper for depreciation or to depreciation fund, Reserve or to Reserve Fund to meet contingencies or Insurance Fund or any special or other fund to meet contingencies or to repay Redeemable Preference Share, and for special dividends and for equalising dividends and for repairing, replacements, improving, extending and maintaining any part of the properties of the Company and for such other purposes (including the purposes referred to in the subclause (i) as the Director may in their absolute discretion think conducive to the interests of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to restrictions imposed by the Act) as the Directors may think fit; and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit for the Company; in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they expend the same, or any part thereof, may be matters to or

upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the Directors may think fit and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares and that without being bound to keep the same separate from the other assets and without being bound to pay or allow interests on the same, with power, however, to the Directors at their discretion to pay or allow to credit such fund interest at such rate as the Director may think proper, not exceeding 6% per annum;

To create posts

(k)(i) To create such posts, other than those to which appointment is made by the President, as they may consider necessary for the efficient conduct of the Company's affairs and to determine the scale of pay and other terms thereof;

(ii) To structure and implement schemes relating to Personnel and Human Resource Management Training, Voluntary or Compulsory Retirement Scheme, etc;

To appoint officers

(l) To appoint and at their discretion remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and Servants from permanent, temporary or special service, as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and such amounts as they may think fit and also without prejudice as aforesaid from time to time to provide for the management and transaction of the affairs of the Company in specified locality in India in such manner as they think fit;

(m) Subject to Section 292 of the Act, to sub-delegate all or any of the powers, authorities and discretion for the time-being vested in the Directors, subject however, to the ultimate control and authority being retained by them;

Authority to sub-delegate powers

(n) Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them;

To lend money

(o) To lend money to subsidiaries and associated organisations, on such terms and conditions as they may consider desirable.

To comply with the NLDO Licencing Agreement with DOT.

45A. The Company acknowledges compliance with the National Long Distance Operator (NLDO) Licence Agreement entered into with Department of Telecommunication (DOT) and agrees that any violation of the .licence agreement shall automatically disable the Company to carry on the business of National Long Distance Operator (NLDO).

DIVISION OF PROFITS AND DIVIDEND

Division of Profits

47(i) The profits of the Company available for payment of division of profits or dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the

provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that unless the terms of issue otherwise provide, any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

(ii) No dividend shall be declared or paid by the Company for any financial year except out of profits of the Company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of profits of the Company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government. No dividend shall carry interest against the Company.

(iii) For the purpose of the last preceding article, the declaration by the directors as to the amount of the profits of the Company shall be conclusive.

(iv) Subject to the provisions of Section 205 of the Act as amended, no dividend shall be payable except in cash.

(v) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

(vi) Any one of the several persons, who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

(vii) Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the Register in respect of the joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

The Company in General Meeting may declare a divided

48. The Company in General meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.

Interim Dividend

49. The Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Unpaid or Unclaimed Dividend

49A Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by

the Company in that behalf in any scheduled bank, to be called the "Power Grid Corporation of India Limited Unpaid Dividend Account." Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a Fund known as Investor Education and Protection Fund established under Section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

WINDING UP

Distribution of assets

57 If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up at the commencement of the winding up, on the shares held by them respectively. And if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the paid up capital, such assets shall be distributed amongst the members in proportion to the original paid up capital as the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

INDEMNITY AND RESPONSIBILITY

Directors' and others right to indemnity

59 (i) Subject to the provisions of Section 201 (i) of the Companies Act, every Director, Manager, Auditor, Secretary or other Officer or Employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses (including travelling expenses) which any such Director, Manager, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him or them as such Director, Manager, Officer or Servant or in any other way in the discharge of his duties and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Members over all other claims.

(ii) Subject as aforesaid, every Director, Manager or Officer of the Company shall be indemnified against any liability incurred by him or them in defending any proceedings whether civil or criminal in which judgement is given in his or their favour or in which he is or they are acquitted or in connection with any application under Section 633 of the Act in which relief is given to him or them by the Court.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at "Saudamini", Plot No.2, Sector 29, Gurgaon 122 001, India from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement Letters dated April 14, 2007 for appointment of ENAM, Citigroup Global Markets India Private Limited and Kotak Mahindra Capital Company Limited as BRLMs.

2. Memorandum of Understanding dated April 14, 2007 amongst our Company, the Selling Shareholder and the BRLMs.

3. Memorandum of Understanding dated April 14, 2007 executed by our Company and the Selling Shareholder with Registrar to the Issue.

4. Escrow Agreement dated [•] between our Company, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.

5. Syndicate Agreement dated [•] between our Company, the Selling Shareholder, the BRLMs and Syndicate Members.

6. Underwriting Agreement dated [•] between our Company, the Selling Shareholder, the BRLMs and Syndicate Members.

7. Order No. 2/2/96 PSU/Adm.I (Vol.II) dated October 18, 2002 pursuant to which Dr. R.P. Singh was appointed as Chairman and Managing Director of our Company.

8. Order No. 11/16/2004-PG dated October 6, 2005 pursuant to which Mr. S. Majumdar was appointed as Director of our Company.

9. Order No. 11/13/2005-PG dated December 21, 2005 pursuant to which Mr. J. Sridharan was appointed as Director of our Company.

10. Order No. 1/16/91-PG dated November 27, 2003 pursuant to which Mr. G.B. Pradan was appointed as Director of our Company.

11. Order No. 1/38/96-PG dated July 10, 2007 pursuant to which Dr. P. K. Shetty was appointed as Director of our Company.

12. Order No. 1/38/96-PG dated July 10, 2007 pursuant to which Mr. M. S. Kapur was appointed as Director of our Company.

13. Order No. 1/38/96-PG dated July 10, 2007 pursuant to which Prof. A. S. Narag was appointed as Director of our Company.

14. Order No. 1/38/96-PG dated July 10, 2007 pursuant to which Mr. Anil K. Agarwal was appointed as Director of our Company.

15. Order No. 1/38/96-PG dated July 10, 2007 pursuant to which Mr. F. A. Vandervala was appointed as Director of our Company.

16. Order No. 1/16/91-PG dated August 2, 2007 pursuant to which Mr. Rajesh Verma was appointed as Director of our Company.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated October 23, 1989.
3. Shareholders' resolutions dated March 28, 2007 in relation to this Issue and other related matters.
4. Letter No. 6/1/2006-PG dated December 4, 2006 issued by the President of India acting through the MoP granting approval for initial public offer of 10% of the paid-up capital and letter no. 6/1/2006-PG dated March 6, 2007 authorizing disinvestment of 5% of the GoI shareholding in our Company.
5. SEBI Letter dated April 5, 2007 granting its approval for relaxing the strict enforcement of the condition (c) of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.
6. Resolutions of the Board dated January 4, 2007 and March 28, 2007 authorising the Issue.
7. Resolutions of the IPO Committee dated April 15, 2007, August 22, 2007 and [●] respectively approving the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.
8. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors.
9. Report of the Auditors on the restated financial statement, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditors dated August 20, 2007 wth respect of General Tax Benefits.
10. Copies of annual reports of our Company for the past five financial years.
11. Consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
12. General Powers of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
13. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel to the Company, International Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
14. Applications dated April 16, 2007 for in-principle listing approval from the NSE and the BSE, respectively.
15. In-principle listing approval dated April 30, 2007 and May 7, 2007 from NSE and BSE, respectively.
16. Agreement between NSDL, our Company and the Registrar to the Issue dated June 27, 2007.
17. Agreement between CDSL, our Company and the Registrar to the Issue dated May 31, 2007.
18. Due diligence certificate dated April 16, 2007 to SEBI from Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited and ENAM.

19. SEBI observation letter CFD/DIL/Issues/PR/101120/2007 dated August 10, 2007 and our in-seriatim reply to the same dated August 22, 2007.

20. Shareholders Agreement dated July 4, 2003 with Tata Power Company Limited.

21. Shareholders Agreement dated February 23, 2007 with Torrent Power Limited.

22. Shareholders Agreement dated February 22, 2007 with Jaiprakash Hydro Power Limited.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by the Selling Shareholder

Mr. Rajesh Verma
Joint Secretary and Financial Advisor,
Ministry of Power, Government of India

Signed by all Directors

Dr. R.P. Singh (Chairman and Managing Director)

Mr. S. Majumdar (Whole time Director)*

Mr. J. Sridharan (Whole time Director)

Mr. G.B. Pradhan (Government nominee Director)

Mr. Rajesh Verma (Government nominee Director)

Dr. P. K. Shetty (Independent Director)*

Mr. M. S. Kapur (Independent Director)

Prof. A. S. Narag (Independent Director)

Mr. Anil K. Agarwal (Independent Director)

Mr. F. A. Vandrevala (Independent Director)*

* Through his constituted attorney Mr. J. Sridharan.

Mr. J. Sridharan
Director (Finance)

Ms. Divya Tandon
Company Secretary

Date: August 24, 2007
Place: New Delhi