



NHPC LIMITED

Our Company was incorporated on November 7, 1975 under the Companies Act, 1956 (the “Companies Act”) as a private limited company under the name ‘National Hydro Electric Power Corporation Private Limited’. The word ‘private’ was subsequently deleted on September 18, 1976. Our Company was converted into a public limited company with effect from April 2, 1986. On March 28, 2008, our name was changed to our present name ‘NHPC Limited’. **Registered and Corporate Office:** NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, India. **Tel:** +91 129 227 8421. **Fax:** +91 129 227 7941. For details of changes in our registered office, see “*History and Certain Corporate Matters*” on page 113. **Contact Person and Compliance Officer:** Mr. Vijay Gupta, Company Secretary. **Tel:** +91 129 227 8421. **Fax:** +91 129 227 7941. **E-mail:** companysecretary@nhpc.nic.in **Website:** www.nhpcindia.com

PUBLIC ISSUE OF 1,67,73,74,015 EQUITY SHARES OF RS. 10 EACH (THE “EQUITY SHARES”) FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE OF NHPC LIMITED (“NHPC”, “OUR COMPANY” OR “THE ISSUER”) AGGREGATING RS. [●] CRORE (THE “ISSUE”). THE ISSUE COMPRISES A FRESH ISSUE OF 1,11,82,49,343 EQUITY SHARES BY NHPC (THE “FRESH ISSUE”) AND AN OFFER FOR SALE OF 55,91,24,672 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 1,63,54,39,665 EQUITY SHARES (THE “NET ISSUE”) AND A RESERVATION OF UP TO 4,19,34,350 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREINBELOW) (THE “EMPLOYEE RESERVATION PORTION”), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE 13.64% OF THE POST-ISSUE CAPITAL OF NHPC.

**PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH.
THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE.**

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bid/Issue Period not exceeding a total of 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 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.

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue consists of an issue for less than 25% of the post Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, 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 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to NonInstitutional Bidders and up to 30% 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 4,19,34,350 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible 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 our Company and the Selling Shareholder in consultation with the BRLMs, 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.

IPO GRADING

Pursuant to the SEBI Guidelines, this Issue has been graded by ICRA Limited and has been assigned a grade of [●]/5. The IPO Grading is assigned on a five -point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. The rationale furnished by it for its grading will be updated at the time of filing the Red Herring Prospectus with the RoC/Designated Stock Exchange. For more information on the IPO Grading, see “*General Information*” on page 13.

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 Issuer and the Issue including the risks involved. The Equity Shares offered in this Issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to “*Risk Factors*” on page xii.

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 Draft Red Herring Prospectus contains all information with regard to the Issuer, the Selling Shareholder and this Issue, which is material in the context of this Issue, that the information contained in this Draft 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 Draft 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 Draft 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 [●] and [●], respectively. [●] shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
 ENAM SECURITIES PRIVATE LIMITED 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 E-mail: nhpc.ipo@enam.com Investor Grievance E-mail: complaints@enam.com Website: www.enam.com Contact Person: Ms. Kinjal Palan SEBI Registration No.: INM000006856	 KOTAK MAHINDRA CAPITAL COMPANY LIMITED 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 E-mail: nhpc.ipo@kotak.com Investor Grievance E-mail: kmccredressal@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration No.: INM000008704	 SBI CAPITAL MARKETS LIMITED 202, Maker Tower E Cuffe Parade Mumbai 400 005, India Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: nhpc.ipo@sbicaps.com Investor Grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Ms. Nitya Venkatesh SEBI Registration No.: INM000003531	 KARVY COMPUTERSHARE PRIVATE LIMITED "Karvy House" 46, Avenue 4 Street No.1, Banjara Hills Hyderabad 500 034, India Tel: +91 40 2342 0815 Toll Free No.: 1-800-345 4001 Fax: +91 40 2342 0814 E-mail: nhpcipo@karvy.com Website: www.karvy.com Contact Person: Mr. M. Murali Krishna SEBI Registration No.: INR000000221
ISSUE PROGRAM			
BID / ISSUE OPENS ON	[●]	BID / ISSUE CLOSES ON	[●]

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SECTION I – GENERAL DEFINITIONS AND ABBREVIATIONS

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

In this Draft Red Herring Prospectus, unless the context otherwise indicates, all references to “**NHPC**”, “**the Company**”, “**our Company**” and “**the Issuer**” are to NHPC Limited, a public limited company incorporated in India under the Companies Act, with its registered and corporate office at, NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, India. Further, unless the context otherwise indicates, the terms “**we**”, “**us**” and “**our**” are to NHPC Limited and its Subsidiary (as defined below).

Issuer Related Terms

<u>Term</u>	<u>Description</u>
Articles of Association or Articles.....	The articles of association of our Company, as amended from time to time
Audit Committee.....	The committee described in “ <i>Our Management</i> ” on page 125
Auditors	The statutory auditors of our Company, M/s. GSA & Associates, Chartered Accountants
Board or Board of Directors	The board of directors of our Company
Directors	The directors of our Company
Memorandum of Association or Memorandum.....	The memorandum of association of our 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 our Company, which, as at the date of this Draft Red Herring Prospectus, is located at NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, India
Subsidiary.....	Narmada Hydroelectric Development Corporation, or NHDC, a public limited company incorporated in India under the Companies Act

Issue Related Terms

<u>Term</u>	<u>Description</u>
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
Allotted/Allotment/Allot.....	Unless the context otherwise requires, the issue and allotment/transfer of Equity Shares to successful Bidders pursuant to the Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Bankers to the Issue.....	The bankers to the Issue in this case being, [●]
Basis for allotment	The basis on which the Equity Shares will be Allotted and which is described in “ <i>Issue Procedure</i> ” on page 341
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 and payable by the Bidder on submission of the Bid in the Issue
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 the 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

<u>Term</u>	<u>Description</u>
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 national 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 national 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), 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, in terms of which this Issue is being made
Book Running Lead Managers/BRLMs.....	The book running lead managers to the Issue, in this case being Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited
Cap Price.....	The higher end of the Price Band above which the Issue Price will not be finalized 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, including any revisions thereof
Cut-off Price.....	Any price within the Price Band finalised by our Company and the Selling Shareholder in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to bid at the Cut-off Price. 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 the funds from the Escrow Account(s) to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC, following which our Board of Directors shall allot Equity Shares constituting the Fresh Issue and the Selling Shareholder shall give delivery instructions for transfer of Equity Shares constituting the Offer for Sale to successful Bidders
Designated Stock Exchange	[●]
DP ID.....	Depository Participant's Identity
Draft Red Herring Prospectus/DRHP.....	This Draft Red Herring Prospectus dated August 5, 2008 issued in accordance with section 60B of the Companies Act and the SEBI Guidelines, which is filed with SEBI and does not contain complete particulars of the price at which the Equity Shares are offered
Eligible Employee.....	All or any of the following: (a) a permanent employee of our Company as of the date of the Red Herring Prospectus and based, working and present in India as on the date of submission of the Bid cum Application Form; (b) a whole time Director of our Company as of the date of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; (c) an employee as defined in (a) and (b) above of a subsidiary, based, working and present in India as on the date of submission of the Bid cum Application Form; and For the purpose of this definition, an employee who is recruited against regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will also be deemed as a permanent employee.
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 constitutes an invitation to subscribe for the Equity Shares

<u>Term</u>	<u>Description</u>
Employee Reservation Portion.....	The portion of the Issue, being up to 4,19,34,350 Equity Shares, available for allocation to Eligible Employees
Enam.....	Enam Securities Private Limited
Equity Shares	Unless the context otherwise indicates, the Equity Shares of our 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 our 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, [●], 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
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.....	Fresh issue of 1,11,82,49,343 Equity Shares by our Company
Fresh Issue Proceeds.....	The proceeds of the Fresh Issue available to our Company excluding the proceeds of the Offer for Sale.
IPO Grading Agency.....	ICRA Limited
Issue.....	Issue of 1,67,73,74,015 Equity Shares, comprising a Fresh Issue of 1,11,82,49,343 Equity Shares of our Company and an Offer for Sale of 55,91,24,672 Equity Shares by the Selling Shareholder
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 our 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
Kotak.....	Kotak Mahindra Capital Company Limited
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
BRLMs Memorandum of Understanding.....	The agreement entered into on March 30, 2007, as amended by agreement dated August 4, 2008 among our Company, the Selling Shareholder and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Monitoring Agency.....	IDBI Limited
MoP	Ministry of Power, Government of India
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 4,90,63,190 Equity Shares, available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue	Issue less the Employees Reservation Portion, consisting of 1,63,54,39,665 Equity Shares to be Allotted in the Issue at the Issue Price
Net Proceeds of the Fresh Issue.....	Proceeds of the Fresh Issue that are available to our Company, excluding the proceeds of the Offer for Sale and the Issue related expenses
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. 1,00,000
Non-Institutional Portion.....	The portion of the Net Issue, being up to 10% of the Net Issue or 16,35,43,966 Equity Shares at the Issue Price, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRL.....	A person resident outside India, as defined under the Foreign Exchange

<u>Term</u>	<u>Description</u>
	Management Act, 1999, 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.....	Transfer of 55,91,24,672 Equity Shares by the Selling Shareholder, pursuant to 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. [●] per Equity Share and the Cap Price of Rs. [●] per Equity Share, including all revisions thereof
Pricing Date	The date on which our Company and the 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, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process on the Pricing Date, including any corrigendum thereof
Qualified Institutional Buyers or QIBs.....	Public financial institutions specified in section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, FVCIs, 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. 25 crore, pension funds with a minimum corpus of Rs. 25 crore and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI, published in the Gazette of India
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 60% of the Net Issue or 98,12,63,799 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	An Escrow Collection Bank 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. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue being up to 30% of the Net Issue, or 49,06,31,900 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 ...	The red herring prospectus 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 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
SBI CAPS	SBI Capital Markets Limited
Selling Shareholder	The President of India acting through the Ministry of Power, Government of India, including through his nominees
Stock Exchanges	The BSE and the NSE
Syndicate.....	Collectively, the BRLMs and the Syndicate Member(s)
Syndicate Agreement	The agreement among the members of the Syndicate, our Company and the

<u>Term</u>	<u>Description</u>
	Selling Shareholder in relation to the collection of Bids in the Issue
Syndicate Member (s)	Kotak Securities Limited and SBI CAP 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 among our Company, the Selling Shareholder and the Underwriters to be entered into on or after the Pricing Date

Conventional and General Terms

<u>Term</u>	<u>Description</u>
AAR.....	Authority for Advance Ruling
Act or Companies Act.....	The Companies Act, 1956 as amended from time to time
AS.....	Accounting Standard
BSE.....	The Bombay Stock Exchange Limited
CAD.....	Canadian Dollar
CAGR.....	Compounded Annual Growth Rate
CDSL.....	Central Depository Services (India) Limited
CHF.....	Swiss Franc
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
Deputationists.....	People working for the Company from other organisations for a limited period of time
DIN.....	Director Identification Number
€.....	Euro
ECS.....	Electronic clearing service
EGM.....	Extraordinary general meeting of the shareholders of our 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
FBT.....	Fringe Benefit Tax
FC.....	Foreign currency
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
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
Financial Year/Fiscal/FY.....	Period of 12 months ended March 31 of that particular year
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
GoI.....	Government of India
HUF	Hindu Undivided Family
IAS	Indian Administrative Service
IDC.....	Interest during construction
IGNOU	Indira Gandhi National Open University
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)
JPY.....	Japanese Yen
LIBOR.....	London Inter Bank Offering Rate

<u>Term</u>	<u>Description</u>
LIC.....	Life Insurance Corporation of India
MoU.....	Memorandum of Understanding
MPSEB.....	Madhya Pradesh State Electricity Board
MPTRADCO.....	Madhya Pradesh Power Trading Company Limited
N.A. or 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
p.a.....	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PAT	Profit after tax
RBI	The Reserve Bank of India
RoC.....	The Registrar of Companies, NCT of Delhi and Haryana
RoE.....	Return on Equity
RoNW	Return on net worth
Rs.....	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR.....	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
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
SEK.....	Swedish Kroner
USA/U.S.....	United States of America
US\$.....	U.S Dollar
VAT.....	Value Added Tax
w.e.f.....	With effect from

Technical and Industry-Related Terms

<u>Term</u>	<u>Description</u>
ABT.....	Availability Based Tariff
AAD.....	Advance Against Depreciation
AFC.....	Annual Fixed Charges
AGL	Above Ground Level
AMSL	Above Mean Sea Level
APDRP.....	Accelerated Power Development and Reforms Programme
APDISCOMs.....	(Power) Distribution Companies of Andhra Pradesh
APERC.....	Andhra Pradesh Electricity Regulatory Commission
APGENCO.....	Andhra Pradesh Generation Company

<u>Term</u>	<u>Description</u>
BBMB.....	Bhakra Beas Management Board
BRRP/BREW.....	Bihar Rural Road Projects/Bihar Rural Electrification Works
Bus bar	A heavy electrical conductor (usually un-insulated) supported by insulators that interconnect various loads and sources in an electrical power system
Bus bar rate.....	The rate at which the energy is sold to the bulk power customer from the bus bar of a hydroelectric power station
BTU.....	Billion Thermal Units
BVQI.....	Bureau Veritas Quality International
CCEA.....	Cabinet Committee on Economic Affairs
CCGT.....	Combined Cycle Gas Turbine
CEA.....	Central Electricity Authority
CDM.....	Clean Development Mechanism
CER.....	Certified Emission Reduction
CERC.....	Central Electricity Regulatory Commission
COD.....	Commercial Operation Date
CTU.....	Central Transmission Utility
CWC.....	Central Water Commission
Design energy	The quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the generating station
DPE.....	Department of Public Enterprises
DPR.....	Detailed Project Report
EIA.....	Environmental Impact Assessment
Electricity Supply Act.....	Electricity (Supply) Act, 1948
EMP.....	Environment Management Plan
EPA.....	Environment (Protection) Act, 1986
ERC.....	Electricity Regulatory Commission
ERC Act.....	Electricity Regulatory Commission Act, 1998
ERP.....	Enterprise Resource Planning
FCA.....	Forest (Conservation) Act, 1980
FIDIC.....	Fédération Internationale des Ingénieurs-Conseils
GIS.....	Geographic Information System
GoAP.....	Government of Andhra Pradesh
IPP.....	Independent Power Producer
KW.....	Kilo Watt
KWh.....	Kilo Watt Hour
Land Acquisition Act.....	Land Acquisition Act, 1894
LC.....	Letters of credit
MAHAGENCO.....	Maharashtra Generation Company
MoD.....	Ministry of Defence, Government of India
MoEF.....	Ministry of Environment and Forest, Government of India
MoWR.....	Ministry of Water Resources, Government of India
MU.....	Million Units
MW.....	Mega Watt
NBWL.....	National Board for Wildlife
NPV.....	Net present value
One Time Settlement.....	Scheme for One Time Settlement of outstanding dues
PIB.....	Public Investment Board
PFC.....	Power Finance Corporation Limited
PGCIL.....	Power Grid Corporation of India Limited
PPA.....	Power Purchase Agreement
REB.....	Regional Electricity Board
REC.....	Rural Electrification Corporation Limited
RES.....	Renewal Energy Sources, which includes small hydro, wind and biomass
ROR.....	Run-of-the-river
SCADA.....	Supervisor Control and Data Acquisition
SCM.....	Standard Cubic Meter

<u>Term</u>	<u>Description</u>
SEB.....	State Electricity Board
SEB(s).....	State Electricity Board(s) and their successor(s), if any, including those formed pursuant to restructuring/unbundling
SERC.....	State Electricity Regulatory Commission
STU.....	State Transmission Utility
Tailrace discharge.....	The discharge of water coming out of the machine after generation of electricity
T&D.....	Transmission and Distribution
TEC.....	Techno Economic Clearance
TEA.....	Techno Economic Appraisal
THDC.....	Tehri Hydro Development Corporation Limited
Tripartite Agreements.....	Tripartite Agreements executed among the GoI, RBI and the respective State governments
Unit.....	1 KWh, i.e. the energy contained in a current of one thousand amperes flowing under an electromotive force of one volt during one hour
VSAT.....	Very Small Aperture Terminal (based satellite)

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

Certain Conventions

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

Financial Data

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our audited restated standalone as well as consolidated financial statements as of March 31 for the fiscal years ended 2008, 2007, 2006, 2005 and 2004 prepared in accordance with Indian GAAP and the Companies Act and adjusted in accordance with the SEBI Guidelines, as stated in the reports of our Auditors included in "**Financial Statements**" on page 148.

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 Draft 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 Draft 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 Draft 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 and Units of Presentation

All references to "**Rupees**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US\$**" or "**U.S. Dollar**" 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 the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "**Japanese Yen**" or "**JPY**" are to the Japanese Yen, the official currency of Japan. All references to "**SEK**" are to the "**Swedish Kroner**", the official currency of Sweden. All references to "**CAD**" are to the Canadian Dollar, the official currency of Canada.

Market and Industry Data

Market and industry data used throughout this Draft Red Herring Prospectus has been obtained from various government and industry publications including the MoP, the Central Electricity Authority ("**CEA**") and the Planning Commission of India. These publications generally state that the information contained therein has been obtained from publicly available documents from various sources believed to be reliable but it has not been independently verified by us or its accuracy and completeness is not guaranteed and its reliability cannot be assured. Although our Company and the Selling Shareholder believe the market and industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us. The data used in these sources may have been reclassified by us for purposes of presentation. Data from these sources may also not be comparable. The extent to which the market and industry data is presented in this Draft Red Herring Prospectus is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data

gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources.

Exchange Rates

The exchange rates of the respective foreign currencies as on March 31, 2008 and July 31, 2008 are provided below.

Currency	Exchange rate into Rs. as on March 31, 2008	Exchange rate into Rs. as on July 31, 2008
1 US\$	39.90	42.47
1 JPY	0.40	0.39
1 Euro	63.09	66.18
1 CAD	39.03	41.49
1 SEK	6.70	7.00
1 CHF	40.11	40.58

Source: www.oanda.com

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”. Similarly statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans and expectations and 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:

- increased costs of developing our projects caused by delays due to unforeseen circumstances;
- non-receipt of necessary environmental and other government clearances;
- long gestation period of our projects;
- unbundling of the operations of the SEBs;
- unforeseen meteorological, geological or hydrological conditions;
- regulatory changes pertaining to the industry in India in which our Company has its business and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, 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 tax rates including CERC’s tariff regulations; and
- changes in competition in our industry.

For a further discussion of factors that could cause our actual results to differ, see “**Risk Factors**” on page xii. 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.

SECTION II - RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with “Our Business” and “Management’s Discussion and Analysis of Results of Operations and Financial Conditions” on pages 72 and 250, respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. Any of the following risks as well as the other risks and uncertainties discussed in this Draft Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. Unless otherwise stated, financial information of our Company used in the section is derived from our Audited Consolidated and Standalone Financial Statements, as restated.

Internal Risk Factors

- 1. The development of our projects may be subject to unexpected complexities and delays, which may cause the actual costs of developing projects to differ significantly from our estimates.***

Our decision to develop or modify a project is typically based on the results of a feasibility study, which estimates the expected project costs. However, there are a number of uncertainties inherent in the development and construction of any hydroelectric project, including but not limited to:

- Availability of funds to finance construction and development activities;
- Costs, delays or difficulties in the acquisition of land and associated resettlement and rehabilitation issues;
- Availability and cost of skilled labour, power and transport facilities;
- Difficulties associated with accurately anticipating geological, hydrological and climatic conditions;
- Delay or failure to obtain necessary environmental and other governmental clearances;
- Interruptions caused by project-affected persons, special interest groups or labour unions; and
- Disruptions caused by natural disasters such as earthquakes, landslides or floods, accidents, explosions, fires, or the breakdown, failure or substandard performance of equipment due to improper installation or operation.

In addition, the costs, timing and complexities of project development and construction can increase because of the remote location of many of our hydroelectric project sites. Specifically, such uncertainties may cause delays, cancellations or modifications in the scope or schedule of our incomplete projects or projects included in our future plans, which may adversely affect our predicted cash flow position, revenues and earnings. Due to the possibility of cancellations or adjustments in project scope, we cannot predict with certainty when, if or to what extent or at what cost a project currently under development or a planned future project will be completed.

If our projects incur cost overruns above sanctioned estimates, the additional costs incurred require approval from the CERC for reimbursement. In cases where such approval is not granted, we bear the additional costs. Further, any cancellation, delay in execution or adjustment in the scope of a project may result in our failure to receive, on a timely basis or at all, the payments due to us for a project. Any delay or default in payment for incomplete projects may result in higher

costs, lower return on capital or reduced earnings, and may require us to absorb unrecompensed costs or pay penalties for delay in terms of our standard supply contracts.

2. Our projects typically require a long gestation period and substantial capital outlay before we realise benefits or returns on investments.

Due to the nature of our business, our projects typically require a long gestation period and substantial capital outlays before completion or before positive cash flows can be generated. The time and costs required in completing a project may escalate due to many factors, including those described in the risk factor above. In addition, failure to complete a project development, or failure to complete a project according to its original specifications or schedule, may give rise to potential liabilities and, as a result, our returns on investments may be lower than originally expected.

3. Our expansion plans require significant capital expenditures and if we are unable to obtain necessary funds on acceptable terms, our business or expansion plans may be adversely affected.

We will require significant additional capital to finance our business plan, in particular, our capacity expansion plan. In Fiscal 2008, GoI approved a budget estimate of Rs. 4,385 crore for our Company and approved a budget of Rs. 259.01 crore for our Subsidiary for Fiscal 2009. We expect these proposed capital expenditures to be funded through internal accruals and through the issue of Equity Shares, as well as grants and loans from the GoI and debt financing. Our ability to finance our capital expenditure plans is subject to a number of factors, some of which are beyond our control, including tariff regulations, our results of operations, general economic and capital market conditions, borrowing or lending restrictions, if any, imposed by the RBI, our ability to obtain financing on acceptable terms, and the amount of dividends required to be paid to the GoI and our public shareholders. Adverse developments in the Indian credit markets may significantly 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. This may, in turn, adversely affect the implementation of our current projects or future business plans.

4. The majority of our revenues are derived from sales of power to the State electricity entities, as per the directives of the GoI, and we cannot assure you that the State electricity entities will always be able to secure their payments to us.

In Fiscal 2008, we derived Rs. 2,958.20 crore, equivalent to 99.75%, of our revenues from sales of energy to SEBs and their successor entities on a consolidated basis. We are obligated to supply power to State electricity entities, including their successors and unbundled entities, in accordance with the terms of the allocation letters issued by the GoI and the terms of PPAs entered into with these entities and the GoI. Pursuant to Tripartite Agreements entered into among the GoI, the RBI and respective State governments, our billings to the SEBs are currently secured through letters of credit. In addition, we can secure payment by regulating the power supply to a defaulting entity, or directly recover from the GoI payments that are funded from Central Plan Assistance given to the relevant State. Although these security mechanisms are in place under Tripartite Agreements that are valid until 2016, we cannot assure you that the State electricity entities will always be required to, or be able to, secure their payments to us. Any change that adversely affects our ability to recover our dues from the State electricity entities may adversely affect our financial position.

5. We may not be able to continue to take advantage of financial support in the form of equity funding for our projects from the GoI.

Historically, the GoI has provided up to 100% of the equity funding for our power projects. Under

the CERC tariff policy introduced for Fiscal 2002 to Fiscal 2004 and Fiscal 2005 to Fiscal 2009, the maximum portion of a project that can be funded by equity is 30%. While the GoI provided us with equity funding during Fiscal 2002 to Fiscal 2007, the GoI did not provide equity funding for our projects under construction in Fiscal 2008. One of the preconditions to us being granted Mini Ratna Category – I status in April 2008 was an assurance that we would not require equity funding from the GoI. As such, there can be no assurance that the GoI will provide us with any further equity funding. Additionally, after the Issue, we may be required to fund the equity component of our capital expenditures solely from internally generated funds and funds raised from the issuance of our Equity Shares or other securities. While we have received approval from the GoI for equity issuances not exceeding 24% of our paid-up capital, we may not be able to generate adequate funds for completion of all our current and planned future projects.

6. *Any changes to CERC’s tariff regulations may adversely affect our cash flow and results of operations.*

The tariff payable to us by our customers for the sale of energy from our hydropower stations are determined by the CERC and supported by PPAs, which are entered into between our Company and the respective State governments and their successor entities. The tariff norms and regulations may be revised by the CERC during the term of the respective PPAs. The CERC has issued tariff regulations for the period from April 1, 2004 to March 31, 2009, whereby tariffs are determined based on the availability based tariff (“ABT”) model. The ABT model is aimed at enhancing responsibility and accountability in power generation and consumption through a scheme of incentives and disincentives. The tariff is determined by reference to annual fixed charges (“AFC”), which are comprised of primary energy charges and capacity charges. In addition, unscheduled interchange charges are levied when either a generator generates more or less than the scheduled amount or when a beneficiary draws more or less than the scheduled amount, thereby causing grid frequency to deviate.

The CERC issued an Approach Paper dated December 11, 2007 to discuss the principles and approaches to be adopted for tariff determination during the next tariff period beginning April 1, 2009. Among the issues to be considered is whether the CERC should continue with the return on equity (“RoE”) approach or link the tariff rate to the return on capital employed (“RoCE”). The CERC is also considering whether to continue with the present fixed rate of RoE or link the rate of return to the market rate and whether return will be allowed on gross fixed assets or net fixed assets. The CERC is also reviewing the fixed post-tax RoE (currently at 14%) and determining whether this should be calculated post-tax or pre-tax in the next tariff period. In addition, the treatment of depreciation, capital costs and interest on working capital as they relate to tariffs is being reviewed. Any changes in the current tariff structure may affect our cash flow and results of operations.

Any adverse changes in tariff norms or their interpretation by the CERC, judgments of the Appellate Tribunal for Electricity or the Supreme Court, or notifications by respective State governments relating to issues that affect hydropower generation, may limit our ability to recover payments due to us or the prices that we can charge for our hydropower and may have an adverse effect on our results of operations and cash flow from operations. For a discussion of the CERC’s tariff regulations and their effect on our results of operations, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations*” as well as “*Regulations and Policies in India*” on pages 250 and 103, respectively.

7. *The unbundling of the SEBs, pursuant to the Electricity Act, may have an adverse impact on our revenues.*

Under the Electricity Act, SEBs are required to unbundle their operations into separate generation, transmission and distribution companies. Such restructuring entails the transfer of all liabilities and obligations of the SEBs to the respective State governments, which then transfer them to

separate entities. Under the restructuring, the transfer of payment obligations in relation to power sold by us is intended to be effected by a supplementary PPA with the unbundled entities.

Whilst we have entered into supplementary PPAs with the separate entities formed as a result of the restructuring of the Rajasthan State Electricity Board and the Rajasthan State government in respect to sales made by us, we have yet to execute transfer agreements with the separate entities to be formed as a result of the restructuring of remaining SEBs and the respective State governments. However, adequate provisions are available in the present PPAs for the discharge of liabilities and obligations by the respective successors and assigns of the SEBs.

Similarly, following unbundling, our PPAs that are currently with the SEBs will be with one or more of the unbundled entities, particularly distribution companies, which may adversely affect their ability to make payments to us. Further, upon divestment of ownership or control of a SEB or any of the unbundled entities, as applicable, in favour of any entity not owned or controlled, directly or indirectly, by the applicable State government, the Tripartite Agreement relating to the SEB or the unbundled entity will no longer apply. In such an event, a fresh PPA will have to be entered into with such unbundled entity or entities. Any delay in execution or change in terms and conditions in the PPA may adversely affect our realisation of payments against sale of power. However, in this case, the rights and obligations of the RBI, GoI and the applicable State government will continue.

8. Our long-term agreements expose us to certain risks.

We derive a substantial portion of our revenues from PPAs entered into with State electricity entities, typically for a period of five years. The provisions of our PPAs continue to operate until such agreements are formally renewed or replaced. Such arrangements may restrict our operational and financial flexibility in certain important respects and restrict our ability to grow our revenues from existing businesses. For example, business circumstances may materially change over the life of one or more of our contracts and we may not have the ability to modify our contracts to reflect these changes. Further, being committed under the contracts may restrict our ability to implement changes in our business plan or to enter into agreements with other parties at higher prices should the market price for energy rise. This limits our business flexibility, exposes us to an increased risk of unforeseen business and industry changes and may have an adverse effect on our business, prospects, financial condition and results of operations.

Given that our revenue structure under each contract is set over the life of the contract (and fluctuates subject to the adjustment mechanisms contained in each such contract), our profitability is largely a function of how effectively we are able to manage our costs during the terms of our contracts. If we are unable to effectively manage costs, our business, prospects, financial condition and results of operations may be adversely affected.

Our future success will depend in part on our ability to respond to technological advances and emerging hydropower generation industry standards and practices in a cost-effective and timely manner. 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 processing systems to customer requirements or emerging industry standards. If we are unable, for technical, financial, legal or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, prospects, financial performance and results of operation may be adversely affected.

9. The Electricity Act and the National Hydro Power Policy 2008 have introduced measures that may result in increased competition for us.

The statutory and regulatory framework for the Indian power sector generally, and the hydropower sector specifically, has changed significantly in recent years and there are likely to be

more changes in the next few years. Changes in tariff policy based on the CERC Approach Paper and unbundling of the SEBs and consequent restructuring of companies in the power sector, as discussed in the risk factors above, open access and parallel distribution, and liberalized licensing requirements for, and tax incentives applicable to, companies in the hydropower sector, may provide opportunities for increased private sector involvement in power generation. For instance, the Electricity Act removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation plants. Specifically, the open access reforms, which will enable generators to sell their output directly to distribution companies, and ultimately, directly to consumers, may increase the financial viability of private investment in power generation. A key objective of the Hydro Power Policy 2008, is to encourage and increase private investment in the development of hydropower through providing financial benefits such as an income tax holiday for 10 years and duty-free import of capital goods to developers of mega hydropower projects. The Hydro Power Policy 2008 also seeks to encourage joint ventures with private developers and the use of an independent power producer (“IPP”) model and promote power trading and speeding up clearance procedures.

Large Indian businesses that already have a presence in the Indian power sector, specifically in captive power generation, may seek to expand their operations in the sector. The power sector in India may also attract increased investment from international companies with greater resources and assets than us and which may be able to achieve better economies of scale allowing them to bid profitably at more competitive rates. In addition, there may be increased competition from Central and State power utilities. This competition may result in a material adverse effect on our business, prospects and financial condition.

In the past, there have been instances where our Company has prepared initial studies for project sites and these projects have then been allocated to private developers by the government of the State where the project is situated. If this were to occur more frequently, our financial condition may be adversely affected as we lose the opportunity to be involved in the more profitable components of the project.

10. Our generation capacity may be subject to substantial variations in water flow due to climatic conditions, which may cause significant fluctuations in our revenue and profits.

The amount of power generated by hydropower systems is dependent on available water flow. There may be significant fluctuations in our revenues and cash flows due to variations in water flow from season to season, and from year to year, depending on factors such as rainfall, snowfall, snowmelt, or other seasonal or climatic conditions, and the carrying capacity of the river.

Our operating results have historically been more favorable during the monsoon season of June through September. Substantial rainfall during these months generally leads to higher generation at our power stations because a greater amount of water is available. Our operating results have historically been less favorable during the remainder of the year when there is less water available.

Further, with respect to our projects under construction and our future projects, while we select our sites on the basis of output projections, there can be no assurance that the water flows will be consistent with our projections, or that the water flow required to generate the projected outputs will be sustained after construction of the projects is completed. Similarly, there can be no assurance that material hydrological events will not impact the conditions that currently exist at our project sites. Accordingly, adverse hydrological conditions, whether seasonal or for an extended period of time, that result in inadequate or inconsistent water flow may render our hydroelectric power stations incapable of generating energy in accordance with our current estimates, which may adversely affect our business condition in the future or may make it difficult for us to recover costs already expended on any affected projects currently under development.

11. We are dependent on various contractors or specialist agencies to construct and develop our projects or to supply materials or equipment required in connection with our projects.

We rely on third party contractors for the construction and development of our projects. Accordingly, the timing and quality of construction of our projects depends on the availability and skill of these contractors. We also rely on third party suppliers to provide us with many of the materials we use, such as cement and steel. We do not have direct control over the quality of materials supplied by such suppliers. Therefore, we are exposed to risks relating to the quality and availability of such products.

In our business, we also rely on complex machinery built by third parties, which may be susceptible to malfunction. This is particularly true in the current industry environment, which involves rapid technological developments and often involves the installation of newly developed equipment that has not been extensively field-tested. Although, in certain cases, manufacturers are required to compensate us for certain equipment failures and defects, such arrangements are subject to ceilings and may not fully compensate us for the damage that we may suffer as a result of equipment failures and defects, *force majeure* conditions or against any penalties we may consequently become liable to pay under our agreements with our customers.

In addition, our contracts with third party suppliers or contractors do not generally cover indirect losses such as loss of profits or business interruption. There can be no assurance that any natural disasters, accidents or malfunctions involving our assets will not have an adverse effect on our business, prospects, financial condition and results of operations. Further, although we believe that our relationships with our contractors and suppliers are cordial, we cannot assure you that such contractors and suppliers will continue to be available at reasonable rates and in the areas in which we conduct our operations. If some of these third parties do not complete our orders satisfactorily or within the stipulated time, our reputation and financial condition may be adversely affected.

12. Significant increases in prices or shortages of building materials may increase our cost of construction.

The cost of construction of our projects is affected by the availability, cost and quality of the raw materials. Principal raw materials used in construction include cement and steel. The prices and supply of these and other raw materials depend on factors not under our control, including general economic conditions, competition, production levels, transport costs and import duties. If, for any reason, we are unable to obtain such raw materials in the quantities we need and at reasonable prices, our ability to meet our material requirements for our projects may be impaired, our construction schedules may be disrupted and our reputation and financial condition may be adversely affected.

13. We may not have sufficient insurance coverage to cover all possible economic losses.

The operation of our assets may be disrupted for reasons beyond our control, including, but not limited to the factors stated in the risk factors above.

During the construction phase, we rely on insurance coverage provided by our contractors to insure against damage and loss to our hydroelectric projects. Further, we take, through our contractors, third party insurance against risks associated with our assets and infrastructure that are ancillary to our stations, such as roads, administration buildings or housing provided to on-site workers. Once our projects have been commissioned, we self-insure against risks associated with damage due to fire, flood, earthquake, landslide and terrorist activities by creating and maintaining a reserve equivalent to 0.50% of our gross block of operational projects as at the end of each Fiscal. In addition to the above, we maintain a group personal accident policy, group

insurance for house building advance and group insurance in lieu of an employee deposit linked insurance scheme, for all of our employees.

Although our insurance coverage and cash flows have been adequate to provide for losses in the past, future losses from such risks may exceed our insurance coverage limits and to that extent, any significant losses from such risks may have an adverse effect on our financial condition.

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

We are growing our current business as well as undertaking additional projects on an agency basis for the GoI. We are also promoting our consulting business. 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 capitalization, making management of asset quality increasingly important. Further, as we scale up, we may not be able to continue to execute our projects efficiently, which may result in delays, increased costs and diminished quality. An inability to manage our growth effectively on favourable terms may have an adverse effect on our financial condition, reputation and the price of our Equity Shares. Because of our growth and the long gestation period required for power sector projects, our historical financial statements may not be an accurate indicator of our future financial performance.

15. Our expansion of business activities in emerging geographic markets presents a higher degree of risk.

We are exposed to general financial, political, economic and business risks in connection with our overseas operations. In recent years, we have undertaken project construction in Kurrichu, Bhutan, and Devighat, Nepal. In addition, we have recently prepared and submitted a DPR to the Department of Energy, Royal Government of Bhutan for a 672 MW project in Mangdecchu, Bhutan. These projects and consultancy assignments are typically undertaken on an agency basis, often at the directions of the GoI. While emerging markets offer strong growth potential, they also present a higher degree of risk than more developed markets. There are business risks inherent in developing and servicing new markets. For instance, economic conditions may be more volatile and legal systems may be less developed and unpredictable. Our lack of experience in procuring adequate local contractors and supplies or in operating within local regulatory structures also creates risk for us. This may exert pressure on our management or may adversely affect our future expansion strategy or financial condition.

16. The recommendations of the Sixth Pay Commission and the Pay Committee will increase our expenses, which may adversely affect our financial condition in the years of implementation.

The Sixth Pay Commission Report in respect of central government employees, as well as the recommendation of the Pay Committee for public sector employees, which are under consideration by the GOI, are likely to lead to an increase in the salaries of our employees. The salary increases are expected to be effective retrospectively from January 2006 for employees employed on the Central Dearness Allowance (“CDA”) pattern, and retrospectively from January 2007 for other employees employed on the Industrial Dearness Allowance (“IDA”) pattern, respectively, which will result in a reduction in our profits since our employees would have to be paid arrears. Subject to acceptance of the recommendations of the Sixth Pay Commission and the Pay Committee by the GoI in the present form, the aggregate value of our increased employee cost, due to the recommendations of the Sixth Pay Commission and the Pay Committee coming into effect, in respect of IDA employees has been estimated by our Company as of Fiscal 2008 to be Rs. 159.60 crore on IDA account w.e.f. January 1, 2007 and Rs. 29.68 crore in respect of CDA employees w.e.f. January 1, 2006. We have made provisions of Rs. 189.28 crore for this increased cost based on our estimates as of Fiscal 2008. The increased employee cost may adversely affect

our financial condition in the years following implementation.

In addition, the Pay Committee has recommended that all public sector undertakings should formulate an employees' stock option plan ("ESOP") and that 10% to 25% of the Performance Related Payment should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify.

17. We require certain clearances and approvals in order to develop our projects and the failure to obtain them may adversely affect our operations.

A hydroelectric project requires approvals at various stages of its development, including approvals from the MoP, the Planning Commission, the MoEF and the CCEA. In relation to our Kharmoli Lumti Tulli (55 MW) and Garba Tawaghat (630 MW) projects in Uttarakhand, we are awaiting Stage I site clearance for survey and investigation activities from the MoEF. In addition, we may be required to obtain clearances within the ordinary course of our business. For example, we have been directed by the MoEF to seek clearance from the steering committee of the NBWL relating to the location of these projects within the Askot Musk Deer Sanctuary. In addition, we are awaiting final CCEA clearance in relation to certain of our projects, as described in "***Our Business***" on page 72.

If we fail to obtain any such approvals, we may not be able to develop certain of our projects and the costs associated with the feasibility studies and preliminary stages of development of the project may not be recovered, which may affect our financial condition. For further information, see "***Government and Other Approvals***" on page 308.

18. Our Subansiri Upper and Middle projects are subject to environmental clearances and pending adjudication in the Supreme Court of India and there is no assurance that our Company will be able to successfully complete these projects.

The Supreme Court of India had by its order dated April 19, 2004 in respect of interim applications No. 966 and 1012 of 2003, stated that the Lower Subansiri hydroelectric project proposed by our Company may be permitted by the MoEF subject to fulfilment of conditions, including that the reserve forest area that forms a part of the catchment area of the Lower Subansiri river is declared as a National Park or Sanctuary and that there shall be no construction of dams upstream of the Subansiri river in future. The State government of Arunachal Pradesh filed application No. 1362 of 2004 before the Supreme Court of India for the waiver or modification of the above conditions due to the fact that the Subansiri Upper and Middle projects were proposed to be constructed upstream of this project. This matter has been referred by the Supreme Court to the Standing Committee of the NBWL for further action.

As environmental clearance has not yet been obtained in respect of our Subansiri Upper (2,000 MW) and Middle (1,600 MW) projects, the survey and investigation work for the preparation of DPRs for these two projects is presently suspended. Our Company was required to make a presentation on the cumulative environment impact of its projects in the Subansiri basin before the Standing Committee of the NBWL, which was made on May 22, 2008. The Standing Committee of NBWL has asked us for a written submission in this regard.

There is no assurance that clearance from the MoEF and a favourable judgment from the Supreme Court of India will be available in time, or at all, to enable us to re-commence the survey and investigation activities for these two projects. Further, in the event such clearances are obtained, they may require us to meet additional compliance or other project associated costs, which are not yet possible to quantify. This may adversely affect our business opportunities in this river basin and our Company's future expansion plans.

19. We may not be able to develop the Vyasi Hydroelectric Project, which may affect the business and financial condition of our Company.

The Government of Uttarakhand has allocated the Lakhwar Vyasi project in Uttarakhand to Uttarakhand Jal Vidyut Nigam Limited. The Vyasi hydroelectric project (120 MW), which was awaiting clearance of the CCEA, has consequently been put on hold. Although our Company has approached the MoP to present a case to enable our Company to proceed with the Vyasi hydroelectric project before the Uttarakhand State government, there is no assurance that our management will be successful in its approach or that we will be able to develop the Vyasi hydroelectric project, which may affect our business and financial condition.

For further details of the Vyasi hydroelectric project, see “***Our Business***” on page 72.

20. The construction and operation of hydroelectric projects has faced opposition from local communities and other parties and may continue to face such opposition in the future.

The construction and operation of hydroelectric projects has faced opposition from local communities where these projects are located and from special interest groups. We have encountered opposition to the construction or operation of our projects in the past and we cannot assure you that we will not encounter such opposition in the future. In general, we are more at risk from opposition to hydroelectric projects that require the construction of storage facilities because construction of such facilities involves the inundation of surrounding land. The resettlement and rehabilitation programme for project affected people is developed on a project by project basis and is included in our budget for each project. We have set up an institutional framework to implement our resettlement and rehabilitation policy, however, the government of the State in which the project is located is ultimately responsible for disbursing compensation funded by us to those individuals that are affected due to our projects. Significant opposition by local communities, special interest groups and other parties to the construction of our projects, including by way of litigation initiated against us, may adversely affect our reputation and financial condition. For further information, see “***Outstanding Litigation and Material Developments***” on page 280.

21. The risk of environmental damage may force us to restrict the scope of our projects or incur substantial compliance or restorative costs.

Certain environmental organisations have expressed opposition to hydropower stations based on the allegation that they cause loss of habitat for, or destruction of, marine life and have adverse effects on waterways. In addition, dams create large reservoirs over what used to be dry land, which may also result in destruction of wildlife habitats, the need for resettlement of resident populations or urban centres, increased sediment in rivers and the production of methane from submerged forests. Due to these factors, environmental regulators may impose restrictions on our operations that would limit our ability to generate revenues. We may also be subject to significant financial penalties for any environmental damage caused. Financial losses and liabilities as a result of increased compliance costs or due to environmental damage may affect our reputation and financial condition.

Specifically, the nature of our business requires us to handle and transport certain highly inflammable and explosive materials. Whilst the handling and transport of such hazardous materials is subject to statutorily provided safety and environmental requirements and standards, such materials may, if improperly handled or subjected to unsuitable conditions, hurt our employees or other persons, cause damage to our properties and harm the environment. This may result in disruption in our operations, subject us to regulatory proceedings or litigation, and impose significant restorative costs and liabilities, which may adversely affect our reputation and financial condition.

22. The accumulation of silt in waterways can damage our equipment and cause shutdowns that can lead to a reduction in our power generation and may adversely affect our business.

Our operations can be affected by a buildup of silt and sediment that can accumulate behind dam walls and prevent the silt from being washed further down the river. Excess levels of silt can occur in waterways due to changes in environmental conditions, exacerbated by human activities such as agriculture and construction. High concentrations of silt in water can cause erosion in a station's hydroelectric turbines or can lead to blockages in the turbines themselves. Any such damage or blockage may require us to suspend power generation at a station, which may lead to a reduction in revenue, including associated efficiency incentive payments for the duration of such suspension. In addition, we may be required to incur additional costs from time to time to carry out dredging and repairs of any such affected equipment or assets.

23. Our Subansiri Lower hydroelectric project is located in an area claimed by two State governments, and may be affected by the determination of any border dispute or due to the consequent non-execution of an MoU between our Company and the appropriate State government.

The site for development of our Subansiri Lower hydroelectric project is in an area claimed by the State governments of Arunachal Pradesh and Assam since 1950. This border dispute between the States remains unresolved, and as such, the MoU required to be entered into between the appropriate State government and our Company has not been signed. Further, it is understood that there is a disagreement between these two States pertaining to sharing of free power between them, due to the CEA's directions regarding allocation of power to the appropriate State in respect of power projects.

In the event any questions or disagreements arise between the respective State governments and our Company, the settlement of such questions or differences and the continued implementation or profitability of our Subansiri Lower hydroelectric project may be affected by, or subject to, determination of the border dispute between the States of Arunachal Pradesh and Assam.

24. We may be impacted by disputes concerning water usage and management at a local, state or international level.

India is party to a number of international agreements that seek to promote long-term holistic water management across international boundaries, including a water-sharing treaty between India and Bangladesh on the River Ganges, the Indus Water Treaty between India and Pakistan and several treaties between India and Nepal. In addition, there are several Indian inter-State water-sharing agreements in relation to sharing costs towards water and irrigation. However, sovereignty over water flows is hard to define and enforce, even though agreements between riparian States or regions have been reached. Our business and our future financial performance may be adversely affected should our projects, or the watercourses on which our projects are located, become the subject of disputes relating to water usage at a local, state or international level.

25. We have borrowings, the repayment of which, if accelerated, may have an adverse impact on our business and results of operations.

As of March 31, 2008, the total borrowings of our Company aggregated Rs. 12,855.49 crore. Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow produced by our business. If we fail to meet our debt service obligations, our lenders may declare us in default under the terms of our borrowings and accelerate the maturity of our obligations. We cannot assure you that, in the event of any such acceleration, we would have sufficient resources to repay these borrowings and maintain the

operations of our facilities without disruption. Accordingly, any such acceleration may have an adverse effect on our cash flows, business and results of operations.

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

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our short-term borrowings, medium-term borrowings and bond trust deeds. These covenants typically require us to inform lenders prior to issuing new shares, incurring further debt, creating further encumbrances on our assets and undertaking guarantee obligations. In addition, some of our loan agreements contain financial covenants that require us to maintain, among other things, a specified debt to net worth ratio and an interest-coverage-ratio.

We cannot assure you that our business will generate sufficient cash to enable us to service our debt, comply with our covenants or to fund our other liquidity needs. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

27. We may encounter problems relating to the operations of our Subsidiary and joint ventures.

Our Subsidiary NHDC, formed pursuant to an MoU with the government of Madhya Pradesh, is involved in the operation of the Indira Sagar and Omkareshwar power stations, which were completed in Fiscals 2005 and 2008, respectively. In addition, we recently signed an MoU for the formation of a joint venture with the government of Manipur in respect of the development of the 66 MW Loktak downstream project. Further, we are in the process of negotiating another MoU with the government of Jammu & Kashmir to undertake a number of hydroelectric development projects in the State.

Our joint venture partners may:

- be unable or unwilling to fulfil their obligations, whether of a financial nature or otherwise;
- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies and objectives;
- take actions that are not acceptable to regulatory authorities;
- have financial difficulties; or
- have disputes with us.

Any of the foregoing may have an adverse effect on our business, prospects, financial condition and results of operations.

28. Our results of operations may be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of July 31, 2008, NHPC employed 12,234 full-time employees. We have in the past had instances of sporadic and localised strikes and work stoppages. These have not led to any substantial generation loss. However, there can be no assurance that we will not in the future experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses.

Wage negotiations with our unions are ongoing and a new wage agreement is anticipated to be entered into with respect to unionised employees later this Fiscal. However, there can be no assurance that we will be able to negotiate acceptable collective bargaining agreements with our

labour unions. Our failure to do so may lead to union-initiated work stoppages, which may adversely affect our business and results of operations.

We enter into contracts with independent contractors to complete specified assignments and these contractors are required to source the labour necessary to complete such assignments. Even though we do not engage these labourers directly, should our contractors default on wage payments, we may be held responsible under Indian law for wage payments to labourers engaged by such contractors. Any requirement to fund such payments may adversely affect our financial condition. Further, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, we may in certain circumstances be required to absorb a portion of our contract labourers as our employees. Any such order from a court or any regulatory authority may adversely affect our business and financial condition.

29. We have had negative net cash flows in recent fiscal years.

As per our Consolidated Restated Financial Statements, our profit before tax as of March 31, 2008, March 31, 2007 and March 31, 2006 was Rs. 1,581.40 crore, Rs. 1,392.91 crore and Rs. 1,077.25 crore, respectively. Our net cash flow from operating activities amounted to Rs. 3,064.07 crore, Rs. 2,060.07 crore and Rs. 2,097.40 crore, respectively, in these periods. Moreover, as of March 31, 2008, March 31, 2007 and March 31, 2006, our net cash flow from financing activities was Rs. 1,232.71 crore, Rs. 811.48 crore and Rs. 577.50 crore, respectively. However, the net cash flows from our investing activities as of March 31, 2008, March 31, 2007 and March 31, 2006 were negative because our expenditures on fixed assets exceeded our dividend income in each of these periods. Net cash used in investing activities in these periods was Rs. 2,767.20 crore, Rs. 2,948.04 crore and Rs. 2,755.67 crore, respectively. As a result, our net cash flow for the years ended March 31, 2008 amounted to Rs. 1,529.58 crore and our negative cash flow for the year ended March 31, 2007 and March 31, 2006, was Rs. 76.49 crore and Rs. 80.77 crore respectively. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Result of Operation – Cash Flows*” on page 271.

30. We currently engage in foreign currency borrowing and are likely to continue to do so in the future, which will expose us to fluctuations in foreign exchange rates, which may adversely affect our financial condition.

As of March 31, 2008, our Company had Rs. 2,952.84 crore foreign currency borrowings outstanding. We may continue to borrow foreign currency in the future, which will further expose us to fluctuations in foreign currency rates. Volatility in foreign exchange rates may adversely affect our business and financial performance. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Result of Operation – Cash Flows*” on page 271.

31. We have contingent liabilities, which may adversely affect our financial condition.

As of March 31, 2008, the contingent liabilities appearing in our Restated Consolidated Financial Statements are as follows:

(Rs. in crore)

Particulars	Amount
Claims against our Company not acknowledged as debts in respect of:	
Capital works	3,328.53
Land compensation cases	84.48
Other	354.44
Disputed Income Tax demand, Excise and Sales tax	2,045.53
Total	5,812.98

In the event that any of these contingent liabilities materialise, our financial condition may be adversely affected.

32. Our Company is presently involved in four proceedings of criminal nature.

We currently have four criminal litigations against us pending in various courts. Amongst the cases filed against us, two cases are pending before the Sub-divisional Magistrate, Chamba and Sub-divisional Magistrate, Kullu in relation to nuisance caused due to various activities and one case before the District Magistrate Chamba for recovery of leave salary and compensation amount. Additionally, another criminal case has been filed against us before the Additional Chief Judicial Magistrate, Kalimpong, for violation and non-compliance of provisions of Contract Labour (Regulation and Abolition) Act, 1970 and Contract Labour (Regulation and Abolition) Rules, 1971. These matters are currently pending and we cannot provide any assurance that these will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us in future. For further information, see “**Outstanding Litigation and Material Developments**” on page 280.

33. Our Company is involved in certain other legal, regulatory and arbitration proceedings that, if determined against us, may have an adverse impact on our financial condition.

There are certain outstanding legal proceedings against our Company pending at different levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as a change in the Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations. Details of these proceedings that have been initiated against our Company are set forth below:

(Rs. in crore except as otherwise stated)

Nature of Proceedings	Number of proceedings	Claimed/Disputed Amount as on July 31, 2008
Criminal Matters	4	0.59
Public Interest Litigation	3	-
Environment Matters	6	-
CERC cases	2	-
Commercial Tax Matters and Service Tax Matters	18	167.56
Civil Suits	124	39.17
Land related Matters	524	91.13
Labour-related proceedings	161	0.98
Motor Accident Claims Related Litigation	15	1.33
Arbitral Proceedings including counter claims filed by other parties	80	736.54 and CAD 0.15 crore*
Total	937	1,037.30+ CAD 0.15 crore*

* 1 CAD= Rs.41.49 as on July 31, 2008 (Source: www.oanda.com)

In addition, there are certain income tax proceedings involving our Company and further, there are certain legal notices, suits, appeals, proceedings, CERC litigation and arbitral claims that have been filed by our Company and are pending before various forums. For further information, see “**Outstanding Litigation and Material Developments**” on page 280.

34. Our Company is presently and may in the future be subject to litigation, including public interest litigation, instituted in relation to environmental impact of our projects as well as acquisition of land for our projects and consequent displacement and rehabilitation of persons.

We are presently and may in future be subject to risks of litigation, including public interest litigation, in relation to environmental impact of our projects or to acquisition of land and our construction activities for our projects and consequent displacement and rehabilitation of persons. Any such claims may delay or prevent us from implementing our current or future projects, or may require us to bear substantial compliance, rehabilitation or other project associated costs. For instance, there are presently three public interest proceedings, six proceedings pertaining to alleged breach of environmental regulations and 524 land-acquisition related proceedings pending against us before various courts and authorities in India, and there is no assurance that they will be decided in our favour or that we will not face similar claims in the future. Any such delays or increased costs may affect the profitability of our business or restrict our expansion plans. For further information, see “*Outstanding Litigation and Material Developments*” on page 280.

35. The appointment of our Chairman and Managing Director is subject to a writ petition filed against us in the High Court of Guwahati.

Mr. S. C. Sharma has filed a writ petition in the Guwahati High Court claiming that his candidature for appointment as the Chairman and Managing Director of our Company was wrongly rejected. He has demanded, among other things, orders restraining us from considering any other candidate for appointment as Chairman and Managing Director of our Company, and an interim order provisionally appointing him as Chairman and Managing Director of our Company. The High Court had issued interim orders to this effect in January 28, 2005, against which we had filed a special leave petition before the Supreme Court of India. The Supreme Court has struck down the interim order of the High Court, and the case is currently pending in the High Court. For further information, see “*Outstanding Litigation and Material Developments*” on page 280.

36. Our Subsidiary is involved in certain other legal, regulatory and arbitration proceedings that, if determined against it, may have an adverse impact on the Company.

There are certain outstanding legal proceedings against our Subsidiary, NHDC pending at different levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as a change in the Indian law or rulings against it by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We can give no assurance that these legal proceedings will be decided in the favour of NHDC. Any adverse decision may have a significant effect on our business, financial condition and results of operations. Details of these proceedings that have been initiated against NHDC are set forth below:

(Rs. in crore except as otherwise stated)

Nature of Proceedings	Number of proceedings	Claimed/Disputed Amount as on July 31, 2008
Civil Suits	2	-
Land related Matters	3,372	20.00
Labour-related proceedings	5	0.07
Arbitral Proceedings including counter claims filed by other parties	12	76.32
Total	3,391	96.39

In addition, there are certain legal notices, suits, appeals, proceedings and arbitral claims that have been filed by NHDC that are pending before various forums. For further information, see “*Outstanding Litigation and Material Developments*” on page 280.

37. The identified projects, for which of the Fresh Issue Proceeds are proposed to be utilized, have not been independently appraised by any bank or financial institution.

None of our projects, including the projects for which funds are being raised through this Issue, have been independently appraised by any bank or financial institution. While, the CEA gives its clearance before the start of a project. Our Company has to obtain requisite environmental and governmental approvals before executing any project. Additionally, our fund requirements and deployment of the funds 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 particular activities, an increase in funds deployed for a particular activity may be met with surplus funds, if any, available in respect of the other activities.

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

After the completion of this Issue, the GoI will continue to own a majority of our paid-up Equity Share capital. Consequently, the GoI, acting through the MoP, will continue to control us and will have the power to elect 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 five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with other GoI-controlled companies, or the assertion of claims against such companies and other public sector companies. In addition, under our Articles of Association, the GoI may issue directives with respect to the conduct of our business or our affairs or impose other restrictions on us. The GoI may, by exercising its powers of control, delay or defer a change of control of our Company or a change in our capital structure, delay or defer a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company, even if such a transaction may be beneficial to our other shareholders.

The interests of the GoI may be different from our interests or the interests of our other shareholders. In particular, given the importance of the power industry to the economy, the GoI may require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits or dividend distributions made to our shareholders. For further information, see “*Main Provisions of the Articles of Association of the Company*” on page 375.

39. Delay in the appointment of functional directors may affect the functioning and business of our Company.

Currently, our Company has only two functional directors on its board and the posts of Director (Technical), Director (Projects) and Director (Personnel) are vacant. The power of appointment of Directors in our Company vests with the MoP. Even though the MoP may assign additional charges to other persons in the interim, there can be no assurance that the appointment of regular functional directors shall be made prior to this Issue and there may be a further delay in their appointments, which may adversely affect functioning and business of our Company.

40. Additional issuances of equity may dilute your holdings. In addition, any future sale of Equity Shares by our principal shareholder, the GoI, may 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 may adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by our principal shareholder may adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur may also adversely affect the market price of our Equity Shares.

41. 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. Although we have a retention policy in place, there is significant competition for managers and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. The loss of key personnel may have an adverse effect on our business, results of operations, financial condition and ability to grow.

42. There is an irregularity with respect to one of our important immovable property.

We hold land on a leasehold basis for our Executive Director's office situated at Jammu, through a lease deed dated October 25, 2002 with the Jammu Development Authority ("JDA"). In accordance the terms of the lease deed, the land shall be used solely for purpose of construction of office block and our Company shall within five years of execution of the lease deed erect a building according to the plans and elevation approved by the Chief Town Planner of the JDA or as it may be subsequently altered with the written consent of the JDA. Construction of the office was not completed within the stipulated time. We have sought permission from the JDA to extend the time period in the lease until June 2009 in order to allow us to complete construction at the site. In the event we are unable to obtain extension of the stipulated time, the JDA may allege a breach in the terms and conditions of the lease deed, which may result in the termination of the lease.

There are certain immovable properties for which the conveyance deeds have not yet been executed in our favor. In addition, there are certain properties for which mutations (the process by which changes in beneficial ownership is formally recorded in land registries in India) have not yet been carried out in the records of the local land registries. We cannot assure you that the relevant authorities/parties with whom we have entered into contractual arrangements in relation to our important immovable properties will not allege breach of our contractual obligations including registration and stamp duty requirements.

43. Our trademark has not been registered under the Trade Marks Act, 1999 and any failure to protect our intellectual property rights may adversely affect our business.

Currently, we do not have a registered trademark over our name and logo under the Trade Marks Act, 1999, and consequently do not enjoy the statutory protections accorded to a trademark registered in India. Any failure to protect our intellectual property rights may adversely affect our business.

External Risk Factors

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

1. A slowdown in economic growth in India may 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, which may be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices, and 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 that of the

industrial, manufacturing and agricultural sectors is declining. 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, may adversely affect our business.

2. Political instability or changes in the Government may delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally, which may impact our future prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, 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 current Central government, which came to power in May 2004, is headed by the Indian National Congress and is a coalition of several political parties. General elections are expected to be held next year and there is no assurance that the current government will continue or that the succeeding government will continue the policies or initiatives announced by the current government. Although the current government has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous governments, the rate of economic liberalisation may change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities may change as well. Any major change in government policies might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalisation policies have been a major force in encouraging private funding of power sector development, any change in these policies may have a significant impact on power sector development and business and economic conditions in India generally, which may adversely affect our business, our future financial performance and the price of our Equity Shares.

3. Terrorist attacks, breakdowns in internal law and order, civil unrest and other acts of violence or war involving India and other countries may 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 will 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. 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 may have a negative impact on us. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and may have an adverse impact on our business and the price of our Equity Shares.

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

India has experienced natural calamities such as earthquakes, tsunamis, floods and droughts in the past. 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 6.90%. 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 may have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

5. Any downgrading of India's debt rating by an international rating agency may 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 may 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.

6. After this 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 the power generation sector; adverse media reports about us or the Indian power generation; 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.

7. 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 the Equity Shares within 15 days of the closure of the Issue. Consequently, the Equity Shares you purchase in this Issue may not be credited to your demat account with Depository Participants within 15 days of the closure of the 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. The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with depository participants in India are expected to be credited within two working days of the date on which the Designated Stock Exchange approves the basis of allotment. Thereafter, upon receipt of final approval of the stock exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the Designated Stock Exchange approves the basis of allotment. Further, 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.

8. 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 may 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 the 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, may affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A

closure or prolonged suspension of trading on either or both of the BSE and the NSE may adversely affect the trading price of the Equity Shares.

9. *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.

Notes to Risk Factors:

- Issue of 1,67,73,74,015 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share of the Company aggregating Rs. [●] crore. The Issue comprises a Fresh Issue of 1,11,82,49,343 Equity Shares by the Company and an Offer for Sale of 55,91,24,672 Equity Shares by the President of India acting through the Ministry of Power, Government of India. The Issue comprises a Net Issue to the public of up to 1,63,54,39,665 Equity Shares and a reservation of up to 4,19,34,350 Equity Shares for subscription by Eligible Employees at the Issue Price. The Issue shall constitute approximately 13.64% of the post-Issue capital of the Company.
- In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will 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 4,19,34,350 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.
- 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.
- The net worth of the Company as of March 31, 2008 as per our Restated Unconsolidated Financial Statements included in this Draft Red Herring Prospectus was Rs. 17,221.82 crore.
- Our Promoter, the President of India (including shares held through its nominees), acting through the MoP, currently holds 100% of our paid-up share capital. The average cost of

acquisition per Equity Share by the Promoter is Rs. 10. With effect from March 13, 2007, the equity shares of face value of Rs. 1,000 each have been split into Equity Shares of face value of Rs. 10 each.

- The net asset value per Equity Share of Rs. 10 each was Rs. 15.40 as of March 31, 2008 as per our Restated Unconsolidated Financial Statements included in this Draft Red Herring Prospectus.
- None of our Directors or key managerial personnel has any interest, other than reimbursement of expenses incurred or normal remuneration or benefits and to the extent of Equity Shares held by them in the nominee capacity. For further information, see “***Our Management***” on page 125.
- Investors are advised to refer to our financial statements relating to related party transactions in “***Financial Statements - Statement of Related Party Transactions***” on page 212.
- Except as disclosed in “***Capital Structure***” on page 25, neither the President of India, acting through the MoP, 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 Draft Red Herring Prospectus is filed with SEBI.
- Pursuant to a shareholders resolution dated March 13, 2008, the name of our Company was changed from ‘National Hydroelectric Power Corporation Limited’ to its present name ‘NHPC Limited’ and a fresh certificate of incorporation consequent upon change of name was issued by the RoC, National Capital Territory of Delhi and Haryana, on March 28, 2008. There was no change in our Company’s activities and consequently, there was no change in the objects clause of our Company’s Memorandum of Association.
- Investors are advised to see “***Basis for Issue Price***” on page 52.
- Trading in Equity Shares for all investors shall be in dematerialised form only.
- Investors may contact the BRLMs, the Registrar or our Compliance Officer for any complaints or requests for information or clarifications pertaining to the Issue.

SECTION III - INTRODUCTION SUMMARY

*This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information in “**Risk Factors**” and our financial statements and related notes on pages xii and 138, respectively, before deciding to invest in our Equity Shares.*

We are a hydroelectric power generating company dedicated to the planning, development and implementation of an integrated and efficient network of hydroelectric projects in India. We execute all aspects of the development of hydroelectric projects, from concept to commissioning.

We have developed and constructed 13 hydroelectric power stations and our total installed capacity is currently 5,175 MW. This includes two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company generated 14,813.16 MUs of electricity in Fiscal 2008.

Presently, we are engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. Further eight projects, including one joint venture project, with an anticipated capacity of 5,751 MW, are currently awaiting sanction from the CCEA. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with the State governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, our Subsidiary was incorporated on August 1, 2000, to take advantage of the hydroelectric potential of the Narmada basin. In addition, in September 2007 we signed an MoU in connection with the establishment of a joint venture with the government of Manipur and in June 2007 we entered into an MoU with the government of Arunachal Pradesh. Further, we are in the process of negotiating another MoU with the government of Jammu & Kashmir to develop and undertake a number of hydroelectric projects in that state. For further information, see “**History and Certain Corporate Matters**” on page 113. We also provide contract-based technical, management advisory and consultancy services in the domestic and international markets.

We have significant experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design through to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis.

Based on our Restated Consolidated Financial Statements, in Fiscals 2006, 2007 and 2008 we generated total income of Rs. 2,371.11 crore, Rs. 2,682.67 crore and Rs. 3,675.61 crore, respectively, and net profit of Rs. 879.29 crore, Rs. 1,068.07 crore and Rs. 1,232.31 crore, respectively. In Fiscal 2008, our average selling price of electricity was Rs. 1.80 per unit. In Fiscal 2008, we derived Rs. 2,958.20 crore, or 99.75% of our restated consolidated revenues, from sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for Fiscals 2006, 2007 and 2008 were 98.16%, 94.11% and

96.13% respectively. These indices are higher than the average capacity index levels required under CERC regulations and our higher efficiency parameters entitle us to certain incentive payments.

We have obtained ISO 18001:2000, ISO 9001:2000 and ISO 14001:2004 certifications from the Bureau of Indian Standards. In recognition of our performance and our consistent achievement of targets as negotiated under the MoU that we enter into with the GoI on an annual basis, the GoI has rated our performance as “Excellent” from Fiscal 1994 through to Fiscal 2006 and “Very Good” in Fiscal 2007. Also, in recognition of our performance, we were designated as a Mini-Ratna Category-I public sector undertaking in April 2008. As a Mini-Ratna Category-I entity, we will have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI. In addition, Fitch has rated our long-term foreign currency issuer default rating at BBB- with stable outlook, which is at par with the sovereign rating, and has rated our domestic long-term and short-term borrowings at AAA with stable outlook and F1+, respectively. Furthermore, Standard & Poor’s has given our Company a corporate credit rating of BBB-/Stable/NR.

The President of India, including 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 post-Issue paid-up Equity Share capital of our Company. Under our Articles of Association, the GoI has the power to appoint all of our Directors.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Established track record in implementing hydroelectric projects

We have extensive experience in the development and execution of hydroelectric projects. We have successfully managed the development and implementation of 13 hydroelectric projects, including two through our Subsidiary, NHDC. We have a record of successfully completing projects that are located in geo-technically sensitive Himalayan terrain in inhospitable areas that are often difficult to access. We have a track record of efficient project management, having completed the Chamara-II and Dhauliganga-I power stations and the Indira Sagar and Omkareshwar projects ahead of schedule. We have successfully worked together with GoI, various State governments, foreign governments and international companies to complete projects. Our reputation as a successful and efficient project manager is a key advantage for securing projects. We also believe that our execution model for projects, benefits from our cost control and risk management expertise. We believe that our experience and expertise in project implementation provide us with significant competitive advantages.

Long-term power purchase agreements with our customers

As of March 31, 2008, most of the output from our installed capacity was contracted for through long term Power Purchase Agreements (“PPAs”). In Fiscal 2008, we derived Rs. 2,958.20 crore, or 99.75%, of our restated consolidated revenues, from the sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. These billings to state entities are currently secured through letters of credit pursuant to tripartite agreements entered into amongst the GoI, the RBI and respective State governments. In addition, we can secure payment by regulating the power supply to the defaulting entity or recovering payments directly through the GoI that are funded from the Central Plan assistance given to the concerned State governments. At the time we make investment decisions on new capacity or expansion of existing capacity we typically have commitments for the purchase of the output.

Strong operating performance

We measure our efficiency by reference to our average capacity index and generation targets achieved. In Fiscal 2008, our average capacity index was 96.13%, which is higher than the capacity index levels required by the CERC and entitles us to certain incentives. In Fiscal 2008, our Company generated a total of 14,813.16 MUs. We extensively monitor and systematically renovate and modernize our power stations, which increases the efficiency of our plants and equipment. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Competent and committed workforce

We have a competent and committed workforce. Our senior executives have extensive experience in our industry and many of them have been with us for a significant portion of their careers. We believe that the skill, industry knowledge and operating experience of our senior executives provide us with a significant competitive advantage as we seek to expand in our existing markets and successfully enter new geographic areas. We had a low staff turnover of 2.28% in Fiscal 2008, excluding deputationists. We invest significant resources in employee training and development. In addition our uniform operational systems, processes and staff training procedures enable us to replicate our high operating standards across all our projects and stations.

Strong in-house design and engineering team

We have an in-house team for project design and our engineering capabilities range from the concept stage to the commissioning of our projects. This team is supported by international and domestic project consultants. As of July 31, 2008, our Company had 1,254 in-house engineers with expertise in a range of engineering disciplines, particularly hydrology, electrical, civil and structural design, hydro-mechanical and geotechnical design. Our engineers have specialized tunnel design experience and are able to design for variable and unpredictable geological conditions. Our engineers have experience with a variety of specialized analysis, design and computer aided design (“CAD”) software applications and their innovative and fully-integrated approach brings a full complement of skills and knowledge to provide solutions to any given design problem.

Our Strategy

Our corporate vision is to become a world class, diversified and transnational organization for sustainable development of hydropower and water resources with an environmental conscience. The following are our strategies to achieve this vision:

Expand our installed capacity through Joint Ventures and MoUs

We seek to expand our installed capacity by tapping into new markets with significant potential demand for capacity expansion through hydroelectric generation. Presently we are engaged in the construction of 11 hydroelectric projects in the States of Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Assam and West Bengal, which is expected to increase our total installed capacity by 4,622 MW. Further eight projects, including one joint venture project, with an anticipated capacity of 5,751 MW, are currently awaiting sanction from the CCEA. Survey and investigation works are being carried out for preparation of project proposal reports for nine additional projects, totaling 7,255 MW of capacity.

We selectively form alliances with State governments to undertake project development. Pursuant to an MoU with the Government of Madhya Pradesh, our Subsidiary, NHDC, was incorporated on August 1, 2000, to exploit the hydroelectric potential of the Narmada basin. NHDC is been involved in the construction and operation of two projects with a combined capacity of 1,520 MW. In addition, in September 2007 we signed an MoU to form a joint venture with the government of Manipur and in June 2007 we entered into an MoU with the government of Arunachal Pradesh. Further, we are in the process of negotiating another MoU with the government of Jammu & Kashmir to undertake a number of hydroelectric development projects in the state.

Promote and develop our consulting and advisory services

We aim to continue to deliver advisory services to clients and government entities in India and abroad. Our consultancy services are registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission. Historically, we have undertaken international projects and consultancy assignments on an agency basis, often on the request of the GoI. However, going forward, we intend to promote our consultancy services and take advantage of opportunities emerging from changes in the industry due to the enactment of the Electricity Act, the Hydro Power Policy 2008, and other regulatory developments.

Continue to expand our international activities

We have executed hydropower projects in Kurichu in Bhutan and Devighat in Nepal, on a contract agency basis. In addition, we have recently prepared and submitted a detailed project report to the Department of Energy, Royal Government of Bhutan, for a 672 MW hydropower project in Mangdechhu in Bhutan. Further, we are currently in discussions with the Department of Hydro Power Implementation of the Ministry of Electric Power, Union of Myanmar in connection with an MoU relating to a study of a master plan for hydropower development of the Chindwin river basin and reviewing the DPR's for the Tamanthi hydroelectric project (1200 MW) and the Shwzaye hydroelectric project (600 MW). We intend to continue to expand our international operations and further exploit the hydropower potential available internationally by leveraging our existing relationships developed through our past international consultancy assignments.

Maintain our focus and leadership in environmental and corporate social responsibility

We have undertaken a variety of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in accordance with the highest standards of social responsibility, sustainable development and respect towards the environment. We also support initiatives to advance the economic, cultural and social interests of the communities of the areas in which we operate and contribute effectively to their further development. We are a member of the Global Compact Society, formed and registered in 2003 by certain Indian companies and organisations that had participated in the United Nations Global Compact Programme. The Global Compact Society is a nodal agency committed to corporate social responsibility and to the United Nation's Global Compact principles. We have also been awarded the Greentech Award for Environmental Excellence in 2008 by the Greentech Foundation, India. For further information, see "*History and Certain Corporate Matters*" on page 113.

Invest in technology to modernize our operations and improve our project operating performance

We intend to reduce our operating costs and improve our project-operating performance by investing in technologically advanced equipment and methods and by devoting significant resources to

modernize our power stations. We are in advanced stages of implementing the specialized enterprise resource planning software developed for us by IFS Solutions India Private Limited. This is expected to expedite information sharing and efficiency within the organization. In respect of our power stations, we believe that our focus on modernizing and maintaining our stations will increase their useful life, improve their efficiency and operating performance and reduce capital expenditure. We also intend to implement advanced maintenance practices. In addition, we intend to adopt front line technologies to reduce cost and time of construction of our hydroelectric projects. For example, we have implemented a technology for the real-time on-line monitoring of generation equipment, which allows early diagnosis of any developing faults.

SUMMARY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION - UNCONSOLIDATED

The following tables set forth our selected historical financial information derived from the audited and Restated Unconsolidated Financial Statements for the years ended March 31, 2008, 2007, 2006, 2005 and 2004. The audited and restated unconsolidated summary financial information presented below should be read in conjunction with the financial statements included in this Draft Red Herring Prospectus, the notes thereto and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page 250.

UNCONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
INCOME					
Sales (\$ Net)	2,227.10	1,703.43	1,546.96	1,456.43	1,306.81
Contracts and Consultancy Income	326.63	128.81	48.81	22.61	38.29
Interest on Power Bonds & Long Term Advances	209.22	234.08	239.53	239.53	239.53
Other Income	194.38	65.96	45.94	40.43	82.43
TOTAL INCOME	2,957.33	2,132.28	1,881.24	1,759.00	1,667.06
EXPENDITURE					
Generation, Administration and other Expenses	207.67	143.08	181.31	130.70	116.72
Employees' Remuneration and Benefits	316.78	235.79	198.26	220.50	155.26
Depreciation	443.74	289.99	270.66	248.22	209.69
Interest and Finance charges	445.99	231.75	292.56	328.12	350.66
Provisions	11.43	23.74	8.45	25.58	30.00
Contract and Consultancy expenses	319.10	126.43	50.09	18.18	26.76
Incentive to Beneficiary States	0.00	0.00	75.49	81.25	98.81
TOTAL EXPENDITURE	1,744.71	1,050.78	1,076.82	1,052.55	987.90
PROFIT BEFORE TAX	1,212.62	1081.50	804.42	706.45	679.16
Provision for Taxation					
Current Tax and Fringe Benefit Tax	127.46	135.53	56.34	73.40	40.48
Deferred Tax	248.13	167.55	187.90	34.32	85.73
Deferred tax recoverable adjustment	(248.13)	(167.55)	(187.90)	(34.32)	(85.73)
Net Taxation	127.46	135.53	56.34	73.40	40.48
Profit after Tax	1,085.16	945.97	748.08	633.05	638.68
Balance brought forward	652.21	2,802.05	2,389.10	1,873.42	1,412.91
Balance available for appropriation	1,737.37	3,748.02	3,137.18	2,506.47	2,051.59
Appropriations					
Interim Dividend	100.00	72.00	64.00	60.00	60.00
Proposed Final Dividend	200.00	206.00	159.00	80.00	60.00

Corporate Dividend Tax	50.99	45.11	31.28	19.22	15.38
Transfer to General Reserve	0.00	2800.00	0.00	0.00	0.00
Transfer to bonds redemption reserve	23.75	0.00	27.75	0.00	0.00
Transfer to Self Insurance reserve	83.74	57.34	53.20	48.80	42.79
Amount written back from Self Insurance Reserve	(10.70)	(0.89)	(0.10)	0.00	0.00
Amount written back from bonds redemption reserve	0.00	(83.75)	0.00	(90.65)	0.00
BALANCE CARRIED TO BALANCE SHEET	1,289.59	652.21	2,802.05	2,389.10	1,873.42

\$ Tariff Adjustment and Advance Against Depreciation has been netted from Sales

The Accompanying accounting policies and notes on accounts are an integral part of these statements

UNCONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Fixed Assets (A)					
a) Gross Block	20,635.09	12,941.93	12,753.14	10,847.22	10,315.98
Less: Depreciation	3,262.66	2,849.79	2,528.58	2,242.99	1,982.32
b) Net Block	17,372.43	10,092.14	10,224.56	8,604.23	8,333.66
Capital Work In Progress	6,268.16	11,356.43	8,840.21	8,757.70	6,975.64
Construction Stores and Advances	1,077.34	856.43	778.95	770.14	805.56
Sub total (A)	24,717.93	22,305.00	19,843.72	18,132.07	16,114.86
INVESTMENTS (B)	30,49.22	3,322.75	3,579.19	3,549.19	3,466.03
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	91.91	103.54	113.85	164.43	347.57
Inventories	40.17	44.95	51.27	52.05	56.34
Contract Work-in-Progress	699.46	279.98	97.07	42.87	26.58
Sundry Debtors	348.06	307.85	248.20	584.48	597.65
Cash and Bank Balances	1,841.27	466.90	542.20	311.68	174.37
Other Current Assets	216.40	161.91	130.93	170.30	67.00
Loans and Advances	843.84	445.31	405.20	388.80	411.66
Sub total (C)	4,081.11	1,810.44	1,588.72	1,714.61	1,681.17
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	7,003.49	4,622.79	3,973.50	4,004.26	4,141.35
Unsecured loans	2,952.84	2,909.16	3,193.19	3,017.54	2,706.43
Deferred Tax Liability (Net)	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1,303.26	1,245.98	1,049.49	999.99	865.17
Current Liabilities & Provisions	3,366.85	2,173.53	1,576.22	1,266.94	1,220.02
Sub total (D)	14,626.44	10,951.46	9,792.40	9,288.73	8,932.97
NET ASSETS (A+B+C-D)	17,221.82	16,486.73	15,219.23	14,107.14	1,2329.09
Represented by:					
Share Capital (E)	11,182.49	11,198.21	10,215.28	9,425.62	7,775.63
Share Capital Deposit (F)	0.00	0.00	20.38	158.89	427.55
GOI Fund Adjustable to equity (G)	0.00	8.83	325.50	333.83	410.92
Reserve and Surplus (H)	6,039.67	5,305.49	4,682.62	4,188.80	3,714.99
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)					
(I)	0.34	25.80	24.55	0.00	0.00
NET WORTH(E+F+G+H-I)	17,221.82	16,486.73	15,219.23	14,107.14	12,329.09

The accompanying accounting policies and notes on accounts are an integral part of these statements

CONSOLIDATED SUMMARY FINANCIAL INFORMATION

The following tables set forth our selected historical financial information derived from the audited and Restated Consolidated Financial Statements for the years ended March 31, 2008, 2007, 2006, 2005 and 2004. The audited and restated consolidated summary financial information presented below should be read in conjunction with the financial statements included in this Draft Red Herring Prospectus, the notes thereto and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on page 250.

CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in crore)

Particulars	For the year ended				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Income					
Sales (\$ Net)	2,908.20	2,243.60	2,024.20	1,682.48	1,327.03
Contracts and Consultancy Income	326.49	128.75	48.41	25.37	38.08
Interest on Power Bonds and Long term Advances	209.22	234.08	239.54	239.54	239.53
Other Income	231.70	76.24	58.96	41.08	77.37
TOTAL INCOME	3,675.61	2,682.67	2,371.11	1,988.47	1,682.01
Expenditure					
Generation, Administration and other Expenses	234.76	160.93	195.68	151.46	120.08
Employees' Remuneration and Benefits	339.93	249.74	207.93	219.97	155.71
Depreciation	558.76	367.41	343.04	293.18	214.15
Interest and Finance charges	630.24	361.51	412.78	396.79	357.14
Provisions	11.43	23.74	8.85	22.78	30.00
Contract and Consultancy expenses	319.09	126.43	50.09	21.15	26.76
Incentive to Beneficiary States	-	-	75.49	81.25	98.81
TOTAL EXPENDITURE	2,094.21	1,289.76	1,293.86	1,186.58	1,002.65
Profit before Minority Interest and Tax	1,581.40	1,392.91	1,077.25	801.89	679.36
Provision for Taxation					
Current year tax and Fringe benefit tax	174.47	197.20	68.56	77.24	41.66
Deferred Tax	400.13	351.36	247.62	44.97	91.70
Deferred tax recoverable adjustment	(400.13)	(351.36)	(247.62)	(44.97)	(91.70)
Net Taxation	174.47	197.20	68.56	77.24	41.66
Profit after Tax before Minority Interest	1,406.93	1,195.71	1,008.69	724.65	637.70
Minority interest	174.62	127.64	129.40	46.09	1.90
Net Profit after minority interest	1,232.31	1,068.07	879.29	678.56	635.80
Balance brought forward	886.62	2,940.48	2,417.53	1,867.81	1,412.16
Balance available for appropriation	2,118.93	4,008.55	3,296.82	2,546.37	2,047.96
Appropriations					
Interim Dividend	100.00	72.00	64.00	60.00	60.00
Proposed Final Dividend	200.00	206.00	159.00	80.00	60.00

Corporate Dividend Tax	59.56	51.02	32.79	19.66	15.54
Transfer to General Reserve	-	2800.00	-	-	-
Amount transferred to bonds redemption reserve	23.75		27.75		
Amount transferred to Self Insurance Reserve	116.64	77.55	72.90	59.83	44.61
Amount written back from Self Insurance reserve	(10.70)	(0.89)	(0.10)	-	-
Amount written back from bonds redemption reserve	-	(83.75)	-	(90.65)	-
Balance Carried to Balance Sheet	1,629.68	886.62	2,940.48	2,417.53	1,867.81

\$ Tariff adjustment and advance against depreciation has been netted from sales.

The accompanying accounting policies and notes on accounts are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Fixed Assets (A)					
a) Gross Block	27,220.14	17,025.68	16,724.98	14,175.58	12,031.45
Less: Depreciation	3,678.91	3,120.71	2,692.38	2,311.45	1,999.22
b) Net Block	23,541.23	13,904.97	14,032.60	11,864.13	10,032.23
Capital Work In Progress	6,287.44	13,365.44	10,143.73	9,772.13	8,315.06
Construction Stores and Advances	1,077.74	861.66	837.06	995.91	989.74
Sub total (A)	30,906.41	28,132.07	25,013.39	22,632.17	19,337.03
INVESTMENTS (B)	2,046.79	2,320.33	2,576.78	2,576.78	2,576.78
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	91.91	103.54	113.85	164.43	347.57
Inventories	42.75	47.12	52.47	51.68	56.34
Contract Work-in-Progress	699.46	279.97	97.07	42.87	26.58
Sundry Debtors	904.58	909.88	594.94	676.96	597.91
Cash and Bank Balances	2345.87	816.29	892.78	973.55	833.20
Other Current Assets	236.21	186.18	158.85	113.09	82.69
Loans and Advances	857.56	463.49	422.77	409.41	418.88
Sub total (C)	5,178.34	2,806.47	2,332.73	2,431.99	2,363.17
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	9,902.65	7,562.63	6,138.24	5,504.26	4,921.35
Unsecured loans	2,952.84	2,909.16	3,343.19	3,641.79	3,356.42
Minority Interest	1,375.57	1,242.58	1,130.99	1,006.39	800.10
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1,303.26	1,245.98	1,049.49	999.99	865.17
Current Liabilities & Provisions	3,771.83	2,415.43	1,778.47	1,513.14	1,402.84
Sub total (D)	19,306.15	15,375.78	13,440.38	12,665.57	11,345.88
Capital Grant/Proportionate Contribution by Govt of Madhya Pradesh towards fixed assets (E)	1,177.88	1,109.26	1,092.35	826.98	605.80
NET ASSETS (A+B+C-D-E)	17,647.51	16,773.83	15,390.17	14,148.39	12,325.30
Represented by:					
Share Capital (F)	11,182.49	11,198.21	10,215.28	9,425.62	7,775.63
Share Capital Deposit (G)	0.00	0.00	20.38	158.89	427.55
GOI Fund adjustable to Equity (H)	0.00	8.83	325.50	333.83	410.92
Reserve and Surplus (I)	6,465.36	5,592.59	4,853.55	4,230.05	3,711.20
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) (J)	0.34	25.80	24.54	0.00	0.00
NET WORTH(F+G+H+I-J)	17,647.51	16,773.83	15,390.17	14,148.39	12,325.30

the accompanying accounting policies and notes on accounts are an integral part of these statements

THE ISSUE

Issue:	1,67,73,74,015 Equity Shares
<i>Which comprises:</i>	
Fresh Issue:	1,11,82,49,343 Equity Shares
Offer for Sale:	55,91,24,672 Equity Shares
<i>Of which:</i>	
Employee Reservation Portion:	Up to 4,19,34,350 Equity Shares
Net Issue:	Up to 1,63,54,39,665 Equity Shares
<i>Of which:</i>	
Qualified Institutional Buyers Portion:	At least 98,12,63,799 Equity Shares (allocation on proportionate basis), of which 5% of the QIB Portion or 4,90,63,190 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 93,22,00,609 Equity Shares shall be available for allocation to all QIBs, including Mutual Funds
Non-Institutional Portion:	Up to 16,35,43,966 Equity Shares (allocation on proportionate basis)
Retail Portion:	Up to 49,06,31,900 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue:	11,18,24,93,430 Equity Shares
Equity Shares outstanding post the Issue:	12,30,07,42,773 Equity Shares
Objects of the Issue:	For details of the Objects of the Fresh Issue, see “ <i>Objects of the Issue</i> ” on page 52. Our Company will not receive any proceeds from the Offer for Sale. Further, no part of the Net Proceeds of the Fresh Issue will be paid by our Company as consideration to our Promoter, Directors, key managerial personnel, except as may be required in the usual course of business.

Eligible Employees may also apply for Equity Shares under the Net Issue and such Bids shall not be treated as multiple Bids. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and may be added to any category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. Under subscription, if any, in any portion, except in the QIB portion, would be met with a spill-over from the other portions at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded.

GENERAL INFORMATION

Registered and Corporate Office of our Company

NHPC Limited
NHPC Office Complex
Sector - 33, Faridabad 121 003
Haryana, India

Details	Registration/Identification number
Registration Number	055 – 7967
New Registration Number	05 – 32564
Company Identification Number	U21015HR1975GOI032564

For details in changes in our Registered Office, see “*History and Certain Corporate Matters*” on page 113.

Address of the Registrar of Companies

Our Company is registered at the office of:

The Registrar of Companies
National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower
61, Nehru Place
New Delhi 110 019, India
Tel: +91 11 2623 5704
Fax: +91 11 2623 5702

Board of Directors

The following table sets out the current details regarding our Board as on the date of the filing of this Draft Red Herring Prospectus:*

Name and Designation	Age (years)	Address	Term
Mr. S.K. Garg Designation: Chairman and Managing Director	57	K-17/4, DLF City Phase II, Gurgaon 122 002, Haryana, India	Appointment w.e.f. January 23, 2007 until the date of superannuation or until further orders, whichever event occurs earlier.
Mr. A.B.L. Srivastava Designation: Director (Finance)	52	C - 301, Stellar Park, C - 58/24, Sector -62, Gautam Budha Nagar, Noida 201 306, Uttar Pradesh, India	Appointment for a period of five years w.e.f. February 11, 2008 or till date of his superannuation or until further orders, whichever is earlier.
Mr. Gurdial Singh** Designation: Government Nominee Director	57	B – 3/2, M.S. Flats Sector - 13, R.K. Puram, New Delhi 110 022, India	Appointment w.e.f. December 22, 2004.

Mr. Jayant Kawale** Designation: Government Nominee Director	52	D – I/72, Chanakyapuri, New Delhi 110 021, India	Appointment w.e.f. September 6, 2007.
Ms. Komal Anand Designation: Independent Director	62	16, Nizamuddin East, IInd Floor, New Delhi 110 003, India	Appointment for a period of three years w.e.f. April 2, 2008 or until further orders, whichever occurs earlier.
Mr. Arun Kumar Mago Designation: Independent Director	63	E - 7, Nizamuddin West, New Delhi 110 013, India	Appointment for a period of three years w.e.f. April 3, 2008 or until further orders, whichever occurs earlier.
Mr. Raman Sidhu Designation: Independent Director	50	1505 - B, Beverly Park II, DLF City, Phase II, Gurgaon 122 002, Haryana, India	Appointment for a period of three years w.e.f. April 7, 2008 or until further orders, whichever occurs earlier.
Mr. R. Jayaseelan Designation: Independent Director	61	5, Senior Doctor's Residence, Holy Family Hospital, Okhla Road, New Delhi 110 025, India	Appointment for a period of three years w.e.f. April 23, 2008 or until further orders, whichever occurs earlier.
Dr. Kuriakose Mamkoottam Designation: Independent Director	62	101, Sakshara Apartments, A3 Paschim Vihar, New Delhi 110 063, India	Appointment for a period of three years w.e.f. June 17, 2008 or until further orders, whichever occurs earlier.

* Mr. K. Dharmarajan has been appointed as our Independent Director by MoP letter no. F.No. 16/28/99-NHPC dated July 18, 2008 for a period of three years w.e.f. the date of assumption of charge of the post or until further orders, whichever occurs earlier. However, Mr. Dharmarajan is yet to assume charge.

**The appointment is at the discretion of the President and shall be subject to such terms and conditions as may be deemed fit by the President from time to time, in accordance with the Articles of Association of the Company.

For further information, see “**Our Management**” on page 125.

Company Secretary and Compliance Officer

Mr. Vijay Gupta

NHPC Office Complex
Sector - 33, Faridabad 121 003
Haryana, India
Tel: +91 129 227 8421
Fax: +91 129 227 7941
E-mail: companysecretary@nhpc.nic.in

Investors can contact the Compliance Officer, the BRLMs or the Registrar 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

Enam Securities Private Limited

801, Dalamal Towers
Nariman Point
Mumbai 400 021, India
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
E-mail: nhpc.ipo@enam.com
Investor Grievance E-mail: complaints@enam.com
Website: www.enam.com
Contact Person: Ms. Kinjal Palan
SEBI Registration No.: INM000006856

Kotak Mahindra Capital Company Limited

3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021, India
Tel: +91 22 6634 1100
Fax: +91 22 2284 0492
E-mail: nhpc.ipo@kotak.com
Investor Grievance E-mail: kmccredressal@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
SEBI Registration No.: INM000008704

SBI Capital Markets Limited*

202, Maker Tower E
Cuffe Parade
Mumbai 400 005, India
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
E-mail: nhpc.ipo@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Ms. Nitya Venkatesh
SEBI Registration No.: INM000003531

** The SEBI registration of one of the Book Running Lead Managers to the issue, SBI Capital Markets Limited was valid up to July 31, 2008. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2008, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is currently awaited.*

Domestic Legal Advisor to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Amarchand Towers
216, Okhla Industrial Estate, Phase – III
New Delhi 110 020, India
Tel.: +91 11 2692 0500
Fax: +91 11 2692 4900

International Legal Counsel to the Issue

Dorsey & Whitney (Europe) LLP

21, Wilson Street
London, EC2M 2TD, England
Tel: +44 20 7588 0800
Fax: +44 20 7588 0555

Syndicate Members

Kotak Securities Limited

1st Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021, India
Tel: +91 22 6634 1100
Fax: +91 22 2283 7517
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta
SEBI Registration Nos.: BSE: INB010808153, NSE: INB230808130

SBI CAP Securities Limited

191, Maker Tower F
Cuffe Parade
Mumbai 400 005, India
Tel: + 91 22 3027 3309
Fax: + 91 22 3027 3402
E-mail: prasad.chitnis@sbicaps.com
Website: www.sbicapsec.com
Contact Person: Mr. Prasad Chitnis
SEBI Registration Nos.: BSE: INB01105303, NSE: 1NB231052938

Bankers to the Company

Indian Overseas Bank

NHPC Branch
Sector - 33, Faridabad 121 003
Haryana, India
Contact Person: Mr. Rakesh K. Saxena
Tel: +91 129 227 2569
Fax: +91 129 227 2596
E-mail: nhpcbr@delsco.iobnet.co.in

State Bank of India

CAG Branch
11 - 12th Floor, Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi 110 001, India
Contact Person: Ms. Abha Menon
Tel: +91 11 2335 2810
Fax: +91 11 2335 3101

E-mail: abha.menon@sbi.co.in

ICICI Bank Limited

9A, Connaught Place
New Delhi 110 001, India
Contact Person: Mr. Vikas Om Sahai
Tel: +91 11 6531 0400
Fax: +91 11 6631 0410/20
E-mail: vikas.sahai@icicibank.com

Bank of India

37, Shaheed Bhagat Singh Marg
Connaught Place
New Delhi 110 001, India
Contact Person: Mr. T.C. Nagal
Tel: +91 11 2374 1693
Fax: +91 11 2335 5601
E-mail: ndlcb@bankofindia.co.in

State Bank of Bikaner & Jaipur

26, Neelam Bata Road
Faridabad 121 001, Haryana, India
Contact Person: Mr. M.K. Mondal
Tel: +91 129 242 2608
Fax: +91 129 241 8662
E-mail: sbbj10310@sbbj.co.in

State Bank of Patiala

Commercial Branch
2nd Floor, Chandralok Building
36, Janpath
New Delhi 110 001, India
Contact Person: Mr. Umesh Madan
Tel: +91 11 2332 1398
Fax: +91 11 2335 4365
E-mail: umesh.madan@rediffmail.com

Registrar to the Issue

Karvy Computershare Private Limited

“Karvy House”
46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: +91 40 2342 0815
Toll Free No.: 1-800-345 4001
Fax: +91 40 2342 0814
E-mail: nhpcipo@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration No.: INR000000221

Standard Chartered Bank

H-2, Connaught Circus
New Delhi 110 001, India
Contact Person: Ms. Pallavi Chhikara
Tel: +91 11 2340 6718/6789
Fax: +91 11 2372 0811
E-mail: pallavi.chhikara@in.standardchartered.com

Deutsche Bank A.G.

ECE House
28, KG Marg
New Delhi 110 001, India
Contact Person: Mr. Anil Malhotra
Tel: +91 11 6600 9400
Fax: +91 11 6600 9540
E-mail: anil.malhotra@db.com

Jammu & Kashmir Bank Limited

G- 40, Connaught Place
New Delhi 110 001, India
Contact Person: Mr. Raja A. Lateef
Tel: +91 11 2335 2105
Fax: +91 11 2335 2102/03
E-mail: circus@jkbmail.com

Axis Bank Limited

Plot No. 40, SCO Sector - 7
Ballabgarh, Faridabad 121 006
Haryana, India
Contact Person: Mr. Rakesh Kathuria
Tel: +91 129 501 7604
Fax: +91 129 221 1916
E-mail: branchhead.ballabgarh@axisbank.com

Bankers to the Issue

[•]

Monitoring Agency

IDBI Limited
SSD, 14th Floor, IDBI Tower
Cuffe Parade
Mumbai 400 005, India
Tel: +91 22 6655 2081
Fax: +91 22 2215 5742
E-mail: raj.kumar@idbi.co.in
Website: www.idbi.com
Contact Person: Mr. Rajeev Kumar

Auditors

M/s. GSA & Associates
(Formerly Surendar K. Jain & Co.)
Chartered Accountants
502, Prabhat Kiran
17, Rajendra Place
New Delhi 110 008, India
Tel.: +91 11 4508 4836
Fax: + 91 11 4509 4752
E-mail: sunil@gsa.ind.in
Contact Person: Mr. Sunil Aggarwal

For details of change in Auditors, see “*Other Regulatory and Statutory Disclosures – Changes in Auditors*” on page 333.

IPO Grading Agency

ICRA Limited
Building No. 8
2nd Floor, Tower A
DLF Cyber City, Phase II
Gurgaon 122 002
Haryana, India
Tel: +91 124 4545 300
Fax: +91 124 4545 350
E-mail: info@icraindia.com
Website: www.icra.in
Contact Person: Mr. Vivek Mathur

Statement of *Inter se* Allocation of Responsibilities for the Issue

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

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam, Kotak and SBI CAPS	Enam
Due diligence of the Company's operations/management/business plans/legal, etc. Drafting and designing of the offer document and of statutory advertisements 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 Registrar of Companies and Stock Exchanges.	Enam, Kotak and SBI CAPS	Enam
Drafting and approving of all publicity material other than statutory advertisements as mentioned above including corporate advertisement, brochure, etc.	Enam, Kotak and SBI CAPS	SBI CAPS
Appointing other Intermediaries: (A) Printers; (B) Registrar; (C) Advertising Agency; and (D) Bankers to the Issue.	Enam, Kotak and SBI CAPS	Printers: Enam Registrar: Kotak Advertising Agency: SBI CAPS Bankers to the Issue: Kotak
International institutional marketing strategy, preparation of road show marketing presentation, FAQ and co-ordination for all roadshow logistics. ▪ Finalising the list and division of investors for one on one meetings, institutional allocation.	Enam, Kotak and SBI CAPS	SBI CAPS
Retail/Non-institutional marketing strategy which will cover, <i>inter alia</i> , ▪ Finalising media, marketing and public relation strategy, ▪ Finalising centres for holding conferences for brokers, etc., ▪ Finalising collection centres, ▪ Following up on distribution of publicity and Issue material including application forms, Prospectus and deciding on the quantum of the Issue material, ▪ Domestic institutions/banks/mutual funds marketing strategy, and ▪ Finalising the list and division of investors for one on one meetings, institutional allocation.	Enam, Kotak and SBI CAPS	SBI CAPS
Managing the book, coordinating with Stock Exchanges, pricing and allocation to the QIB Bidders	Enam, Kotak and SBI CAPS	SBI CAPS
Post bidding activities including managing of Escrow Accounts, co-ordinating non-institutional allocation, intimating allocation and dispatching of refunds to the Bidders, etc.	Enam, Kotak and SBI CAPS	Kotak
The post issue activities of the Issue will involve essential follow up steps, which include finalizing of trading and dealing instruments and dispatching of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling the refunds business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this	Enam, Kotak and SBI CAPS	Kotak

Activities	Responsibility	Co-ordinator
responsibility through suitable agreements with the Company		

Credit Rating

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

IPO Grading

Pursuant to the SEBI Guidelines, this Issue has been graded by ICRA Limited and has been assigned a grade of [•]/5. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. The rationale furnished by it for its grading, will be updated at the time of filing the Red Herring Prospectus with the RoC/Designated Stock Exchange.

Trustees

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

Experts

Except for the report of ICRA Limited in respect of the IPO Grading of this Issue (a copy of which report will be annexed to the Red Herring Prospectus), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and updated at the time of filing of the Red Herring Prospectus with the RoC, and except for the reports of the Auditors of our Company on the Restated Consolidated Financial Statements, Restated Unconsolidated Financial Statements and Statement of Tax Benefits, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

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.

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60 % of the Net Issue will be allocated on a proportionate basis to QIBs, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of

0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will 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 4,19,34,350 Equity Shares from the Issue shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further information, see “*Issue Procedure*” on page 341.

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

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five 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 bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer and the Selling Shareholder in consultation with the BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid (for further information, see “*Issue Procedure*” on page 341);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that you have mentioned your PAN in the Bid cum Application Form (see “*Issue Procedure*” on page 341); and

- 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

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason.

The Issue is subject to our Company obtaining final listing and trading approvals and RoC approval.

Bid/Issue Programme

Bidding/Issue Period

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 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 only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and 5.00 p.m. in case of Bids by Retail Individual Bidders and Eligible Employees where the Bid Amount is up to Rs. 1,00,000 (which may be extended from time to time by the Stock Exchanges at the request of the BRLMs). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the BRLMs and the Syndicate Members shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

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.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding a total of 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 change on the web sites of the BRLMs and at the terminals 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 the RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crore)
Enam Securities Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 E-mail: nhpc.ipo@enam.com Contact Person: Ms. Kinjal Palan SEBI Registration No.: INM000006856	[•]	[•]
Kotak Mahindra Capital Company Limited 3 rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 E-mail: nhpc.ipo@kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration No.: INM000008704	[•]	[•]
SBI Capital Markets Limited 202, Maker Tower E Cuffe Parade Mumbai 400 005, India Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: nhpc.ipo@sbicaps.com Contact Person: Ms. Nitya Venkatesh SEBI Registration No.: INM000003531	[•]	[•]
Kotak Securities Limited 1 st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2283 7517 E-mail: umesh.gupta@kotak.com Contact Person: Mr. Umesh Gupta SEBI Registration Nos.: BSE: INB010808153, NSE: INB230808130	[•]	[•]
SBI CAP Securities Limited 191, Maker Tower F Cuffe Parade	[•]	[•]

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crore)
Mumbai 400 005, India Tel: + 91 22 3027 3309 Fax: + 91 22 3027 3402 E-mail: prasad.chitnis@sbicaps.com Contact Person: Mr. Prasad Chitnis SEBI Registration Nos.: BSE: INB01105303, NSE: 1NB231052938		
Total	[•]	[•]

In the opinion of our Board and the Selling Shareholder (based on 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, 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 Draft Red Herring Prospectus is set forth below.

(Rs. in crore except share data)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorized Capital*		
15,00,00,00,000 Equity Shares of Rs. 10 each	15,000.00	
B. Issued, Subscribed and Paid-Up Capital before the Issue		
11,18,24,93,430 Equity Shares of Rs. 10 each (fully paid-up)	11,182.49	
C. Present Issue in terms of this Draft Red Herring Prospectus		
Issue of: 1,67,73,74,015 Equity Shares of Rs. 10 each fully paid-up	1,677.37	[•]
Comprising:		
▪ Fresh Issue of 1,11,82,49,343 Equity Shares of Rs. 10 each fully paid-up	1,118.25	[•]
▪ Offer for Sale of 55,91,24,672 Equity Shares of Rs. 10 each fully paid-up	559.12	[•]
D. Employee Reservation in terms of this Draft Red Herring Prospectus		
Up to 4,19,34,350 Equity Shares of Rs. 10 each fully paid-up	41.93	[•]
E. Net Issue to the Public		
Up to 1,63,54,39,665 Equity Shares of Rs. 10 each fully paid-up	1,635.44	[•]
Of Which:		
QIB Portion of at least 98,12,63,799 Equity Shares:	981.26	[•]
Non-Institutional Portion of up to 16,35,43,966 Equity Shares:	163.54	[•]
Retail Portion of up to 49,06,31,900 Equity Shares:	490.63	[•]
F. Equity Capital after the Issue		
12,30,07,42,773 Equity Shares of Rs. 10 each fully paid-up	12,300.74	[•]
G. Share Premium Account		
Before the Issue	Nil	
After the Issue		[•]

* With effect from March 13, 2007, the equity shares of the face value of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each. For details of increase in our authorised share capital see “History and Certain Corporate Matters” on page 113.

The Selling Shareholder has offered 55,91,24,672 Equity Shares as part of the Issue. The President of India, acting through the MoP presently holds, including through his nominees, 100% of the issued and paid-up Equity Share capital of our Company. After the Issue, the shareholding of the President of India, acting through the MoP, including through his nominees, shall be approximately 86.36% of the post-Issue paid-up Equity Share capital of our Company.

Notes to the Capital Structure

1. Share Capital History of our Company:

All allotments of Equity Shares are to the President of India acting through MoP, against funds released by the GoI. The following is the history of the Equity Share capital of our Company:

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideratio n in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
August 13, 1976	3,283	1,000	1,000	Cash	Nil	3,283	32,83,000	0.33
December 29, 1976	1,950	1,000	1,000	Cash	Nil	5,233	19,50,000	0.52
April 28, 1977	2	1,000	1,000	Cash	Nil	5, 235	2,000	0.52
September 3,1977	40,000	1,000	1,000	Cash	Nil	45,235	4,00,00,000	4.52
February 28,1978	6,29,529	1,000	1,000	Other than cash	Nil	6,74,764	62,95,29,000	67.48
February 28,1978	60,700	1,000	1,000	Cash	Nil	7,35,464	6,07,00,000	73.55
September 18, 1978	73,298	1,000	1,000	Cash	Nil	8,08,762	7,32,98,000	80.88
February 2, 1979	25,000	1,000	1,000	Cash	Nil	8,33,762	2,50,00,000	83.38
August 6,1980	1	1,000	1,000	Cash (Rs. 400) Other than cash (Rs. 600)	Nil	8,33,763	1,000	83.38
March 31,1981	1,46,150	1,000	1,000	Cash	Nil	9,79,913	14,61,50,000	97.99
December 21,1981	15,000	1,000	1,000	Cash	Nil	9,94,913	1,50,00,000	99.49
March 27,1982	33,300	1,000	1,000	Cash	Nil	10,28,213	3,33,00,000	102.82
June 14,1982	35,000	1,000	1,000	Cash	Nil	10,63,213	3,50,00,000	106.32
September 02,1982	36,000	1,000	1,000	Cash	Nil	10,99,213	3,60,00,000	109.92
December 14,1982	1,24,000	1,000	1,000	Cash	Nil	12,23,213	12,40,00,000	122.32
February 23,1983	15,000	1,000	1,000	Cash	Nil	12,38,213	1,50,00,000	123.82
March 26, 1983	60,000	1,000	1,000	Cash	Nil	12,98,213	6,00,00,000	129.82
June 6,1983	32,900	1,000	1,000	Cash	Nil	13,31,113	3,29,00,000	133.11
September 5, 1983	61,859	1,000	1,000	Cash	Nil	13,92,972	6,18,59,000	139.30
December 16, 1983	48,550	1,000	1,000	Cash	Nil	14,41,522	4,85,50,000	144.15
March 5,1984	2,14,541	1,000	1,000	Cash	Nil	16,56,063	21,45,41,000	165.61
May 14, 1984	1,39,579	1,000	1,000	Cash	Nil	17,95,642	13,95,79,000	179.56
January 8,1985	4,27,459	1,000	1,000	Cash	Nil	22,23,101	42,74,59,000	222.31

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideratio n in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
June 21,1985	11,75,665	1,000	1,000	Cash	Nil	33,98,766	1,17,56,65,000	339.88
November 18,1985	4,72,500	1,000	1,000	Cash	Nil	38,71,266	47,25,00,000	387.12
February 24,1986	4,20,000	1,000	1,000	Cash	Nil	42,91,266	42,00,00,000	429.13
June 6,1986	8,03,546	1,000	1,000	Cash	Nil	50,94,812	80,35,46,000	509.48
December 26,1986	3,05,000	1,000	1,000	Cash	Nil	53,99,812	30,50,00,000	539.98
March 31,1987	10,000	1,000	1,000	Cash	Nil	54,09,812	1,00,00,000	540.98
April 29,1987	3,31,200	1,000	1,000	Cash	Nil	57,41,012	33,12,00,000	574.10
November 25,1987	11,26,681	1,000	1,000	Cash	Nil	68,67,693	1,12,66,81,000	686.77
March 9,1988	1,57,700	1,000	1,000	Cash	Nil	70,25,393	15,77,00,000	702.54
May 4,1988	1,62,258	1,000	1,000	Cash	Nil	71,87,651	16,22,58,000	718.77
August 17, 1988	4,75,000	1,000	1,000	Cash	Nil	76,62,651	47,50,00,000	766.27
December 28,1988	2,49,500	1,000	1,000	Cash	Nil	79,12,151	24,95,00,000	791.22
March 27,1989	65,789	1,000	1,000	Cash	Nil	79,77,940	6,57,89,000	797.80
December 28,1989	5,09,700	1,000	1,000	Cash	Nil	84,87,640	50,97,00,000	848.76
April 2,1990	1,04,800	1,000	1,000	Cash	Nil	85,92,440	10,48,00,000	859.24
July 16,1990	41,50,400	1,000	1,000	Cash	Nil	1,27,42,840	4,15,04,00,000	1,274.28
August 30,1990	2,50,000	1,000	1,000	Cash	Nil	1,29,92,840	25,00,00,000	1,299.28
October 29, 1990 & November 5, 1990	8,20,000	1,000	1,000	Cash	Nil	1,38,12,840	82,00,00,000	1,381.28
January 24,1991	19,45,000	1,000	1,000	Cash	Nil	1,57,57,840	1,94,50,00,000	1,575.78
February 26,1991	4,35,200	1,000	1,000	Cash	Nil	1,61,93,040	43,52,00,000	1,619.30
May 13,1991	9,26,300	1,000	1,000	Cash	Nil	1,71,19,340	92,63,00,000	1,711.93
July 17,1991	6,40,000	1,000	1,000	Cash	Nil	1,77,59,340	64,00,00,000	1,775.93
August 9,1991	2,15,000	1,000	1,000	Cash	Nil	1,79,74,340	21,50,00,000	1,797.43
November 27,1991	7,11,800	1,000	1,000	Cash	Nil	1,86,86,140	71,18,00,000	1,868.61
December 24,1991	5,38,000	1,000	1,000	Cash	Nil	1,92,24,140	53,80,00,000	1,922.41
June 19,1992	11,87,200	1,000	1,000	Cash	Nil	2,04,11,340	1,18,72,00,000	2,041.13
August 5,1992	3,90,000	1,000	1,000	Cash	Nil	2,08,01,340	39,00,00,000	208.13
October 9,1992	6,05,000	1,000	1,000	Cash	Nil	2,14,06,340	60,50,00,000	214.06
November 27,1992	3,70,000	1,000	1,000	Cash	Nil	2,17,76,340	37,00,00,000	217.76
January 27,1993	7,76,000	1,000	1,000	Cash	Nil	2,25,52,340	77,60,00,000	2,255.23

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideratio n in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
July 2,1993	9,58,500	1,000	1,000	Cash	Nil	2,35,10,840	95,85,00,000	2,351.08
September 2,1993	5,60,000	1,000	1,000	Cash	Nil	2,40,70,840	56,00,00,000	2,407.08
November 25,1993	9,20,000	1,000	1,000	Cash	Nil	2,49,90,840	92,00,00,000	2,499.08
June 15,1996	(20,56,461)*	1,000	1,000	-	-	2,29,34,379	- 2,05,64,61,00 0	2,293.44
June 15,1996	20,58,600	1,000	1,000	Cash	Nil	2,49,92,979	2,05,86,00,00 0	2,499.30
July 25,1997	(2,38,832)*	1,000	1,000	-	Nil	2,47,54,147	-23,88,32,000	2,475.41
July 25,1997	13,91,800	1,000	1,000	Cash	Nil	2,61,45,947	1,39,18,00,00 0	2,614.59
September 23,1997	5,11,000	1,000	1,000	Cash	Nil	2,66,56,947	51,10,00,000	2,665.69
November 1,1997	15,70,000	1,000	1,000	Cash	Nil	2,82,26,947	1,57,00,00,00 0	2,822.69
December 5,1997	5,00,000	1,000	1,000	Cash	Nil	2,87,26,947	50,00,00,000	2,872.69
February 21,1998	9,60,000	1,000	1,000	Cash	Nil	2,96,86,947	96,00,00,000	2,968.69
July 22,1998	10,65,000	1,000	1,000	Cash	Nil	3,07,51,947	1,06,50,00,00 0	3,075.19
September 18,1998	6,40,000	1,000	1,000	Cash	Nil	3,13,91,947	64,00,00,000	3,139.19
October 17,1998	3,30,000	1,000	1,000	Cash	Nil	3,17,21,947	33,00,00,000	3,172.19
November 19,1998	50,000	1,000	1,000	Cash	Nil	3,17,71,947	5,00,00,000	3,177.19
January 4,1999	5,44,200	1,000	1,000	Cash	Nil	3,23,16,147	54,42,00,000	3,231.61
January 29,1999	50,000	1,000	1,000	Cash	Nil	3,23,66,147	5,00,00,000	3,236.61
March 19,1999	10,09,800	1,000	1,000	Cash	Nil	3,33,75,947	1,00,98,00,00 0	3,337.59
April 28,1999	6,06,400	1,000	1,000	Cash	Nil	3,39,82,347	60,64,00,000	3,398.23
July 31,1999	8,42,600	1,000	1,000	Cash	Nil	3,48,24,947	84,26,00,000	3,482.49
July 31,1999	6,30,000	1,000	1,000	Cash	Nil	3,54,54,947	63,00,00,000	3,545.49
August 27,1999	13,14,600	1,000	1,000	Cash	Nil	3,67,69,547	1,31,46,00,00 0	3,676.95
September 24,1999	60,000	1,000	1,000	Cash	Nil	3,68,29,547	6,00,00,000	3,682.95
October 25,1999	20,000	1,000	1,000	Cash	Nil	3,68,49,547	2,00,00,000	3,684.95
November 30,1999	5,20,000	1,000	1,000	Cash	Nil	3,73,69,547	52,00,00,000	3,736.95
January 18,2000	4,70,000	1,000	1,000	Cash	Nil	3,78,39,547	47,00,00,000	3,783.95
February 3,2000	9,22,100	1,000	1,000	Cash	Nil	3,87,61,647	92,21,00,000	3,876.16
March 10,2000	8,90,000	1,000	1,000	Cash	Nil	3,96,51,647	89,00,00,000	3,965.16
March 30,2000	3,20,800	1,000	1,000	Cash	Nil	3,99,72,447	32,08,00,000	3,997.24
April 26,2000	2,32,500	1,000	1,000	Cash	Nil	4,02,04,947	23,25,00,000	4,020.49
July 20,2000	11,78,300	1,000	1,000	Cash	Nil	4,13,83,247	1,17,83,00,00	4,138.32

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideratio n in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
							0	
August 25, 2000	14,00,000	1,000	1,000	Cash	Nil	4,27,83,247	1,40,00,00,00 0	4,278.32
September 27, 2000	6,91,800	1,000	1,000	Cash	Nil	4,34,75,047	69,18,00,000	4,347.50
October 24, 2000	12,39,100	1,000	1,000	Cash	Nil	4,47,14,147	1,23,91,00,00 0	4,471.41
March 8, 2001	14,30,800	1,000	1,000	Cash	Nil	4,61,44,947	1,43,08,00,00 0	4,614.49
April 30, 2001	14,80,000	1,000	1,000	Cash	Nil	4,76,24,947	1,48,00,00,00 0	4,762.49
June 20, 2001	29,11,500	1,000	1,000	Cash	Nil	5,05,36,447	2,91,15,00,00 0	5,053.64
September 7, 2001	9,46,400	1,000	1,000	Cash	Nil	5,14,82,847	94,64,00,000	5,148.28
November 26, 2001	14,47,700	1,000	1,000	Cash	Nil	5,29,30,547	1,44,77,00,00 0	5,293.05
April 30, 2002	62,67,700	1,000	1,000	Cash	Nil	5,91,98,247	6,26,77,00,00 0	5,919.82
July 24, 2002	6,35,100	1,000	1,000	Cash	Nil	5,98,33,347	63,51,00,000	5,983.33
August 22, 2002	10,18,400	1,000	1,000	Cash	Nil	6,08,51,747	1,01,84,00,00 0	6,085.17
October 21, 2002	18,57,500	1,000	1,000	Cash	Nil	6,27,09,247	1,85,75,00,00 0	6,270.92
December 23, 2002	21,69,300	1,000	1,000	Cash	Nil	6,48,78,547	2,16,93,00,00 0	6,487.85
February 26, 2003	20,55,350	1,000	1,000	Cash	Nil	6,69,33,897	2,05,53,50,00 0	6,693.39
April 28, 2003	12,13,700	1,000	1,000	Cash	Nil	6,81,47,597	1,21,37,00,00 0	6,814.76
June 11, 2003	10,66,200	1,000	1,000	Cash	Nil	6,92,13,797	1,06,62,00,00 0	6,921.38
July 28, 2003	14,40,000	1,000	1,000	Cash	Nil	7,06,53,797	1,44,00,00,00 0	7,065.38
September 30, 2003	21,22,100	1,000	1,000	Cash	Nil	7,27,75,897	2,12,21,00,00 0	7,277.59
December 18, 2003	22,38,500	1,000	1,000	Cash	Nil	7,50,14,397	2,23,85,00,00 0	7,501.44
January 27, 2004	27,41,900	1,000	1,000	Cash	Nil	7,77,56,297	2,74,19,00,00 0	7,775.63
April 28, 2004	42,75,500	1,000	1,000	Cash	Nil	8,20,31,797	4,27,55,00,00 0	8,203.18
July 30, 2004	23,69,400	1,000	1,000	Cash	Nil	8,44,01,197	2,36,94,00,00 0	8,440.12
September 15, 2004	30,58,700	1,000	1,000	Cash	Nil	8,74,59,897	3,05,87,00,00 0	8,745.99
October 30, 2004	23,54,200	1,000	1,000	Cash	Nil	8,98,14,097	2,35,42,00,00 0	8,981.41
December 30, 2004	18,71,200	1,000	1,000	Cash	Nil	9,16,85,297	1,87,12,00,00 0	9,168.53
March 24, 2005	25,70,900	1,000	1,000	Cash	Nil	9,42,56,197	2,57,09,00,00 0	9,425.62
April 21, 2005	15,88,900	1,000	1,000	Cash	Nil	9,58,45,097	1,58,89,00,00 0	9,584.51
July 22, 2005	9,94,300	1,000	1,000	Cash	Nil	9,68,39,397	99,43,00,000	9,683.94
September 30, 2005	18,59,300	1,000	1,000	Cash	Nil	9,86,98,697	1,85,93,00,00 0	9,869.87
September 30, 2005	83,323	1,000	1,000	Cash	Nil	9,87,82,020	8,33,23,000	9,878.20

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
November 23, 2005	10,46,900	1,000	1,000	Cash	Nil	9,98,28,920	1,04,69,00,000	9,982.89
December 29, 2005	17,57,100	1,000	1,000	Cash	Nil	10,15,86,020	1,75,71,00,000	10,158.60
March 24, 2006	5,66,800	1,000	1,000	Cash	Nil	10,21,52,820	56,68,00,000	10,215.28
April 20, 2006	2,03,800	1,000	1,000	Cash	Nil	10,23,56,620	20,38,00,000	10,235.67
July 21, 2006	11,36,800	1,000	1,000	Cash	Nil	10,34,93,420	1,13,68,00,000	10,349.34
September 6, 2006	15,11,200	1,000	1,000	Cash	Nil	10,50,04,620	1,51,12,00,000	10,500.46
February 7, 2007	24,56,200	1,000	1,000	Cash	Nil	10,74,60,820	2,45,62,00,000	10,746.08
March 13, 2007	13,54,600	1,000	1,000	Cash	Nil	10,88,15,420	1,35,46,00,000	10,881.54
March 13, 2007	The equity shares of Rs. 1,000 each were split into Equity Shares of the face value of Rs. 10 each.							
March 26, 2007	31,66,70,500	10	10	Cash	Nil	11,19,82,12,500	3,16,67,05,000	11,198.21
May 26, 2007	(2,45,50,000)**	10	10	-	-	11,17,36,62,500	(24,55,00,000)	11,173.66
March 13, 2008	88,30,930	10	10	Cash	Nil	11,18,24,93,430	8,83,09,300	11,182.49

* Reduction of share capital on account of transfer of transmission assets to Power Grid Corporation of India Limited.

**Reduction of share capital on account of closure of Koel Karo hydroelectric project in the state of Jharkhand.

2. Promoter's Contribution and Lock-in

The MoP has granted approval 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 Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007.

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

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Clause 4.6 of the SEBI Guidelines. In this connection, as per Clause 4.6 of the SEBI Guidelines, we confirm the following:

- The Equity shares offered for minimum 20% Promoter's contribution are not acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoter's contribution;
- The minimum Promoter's contribution does include the Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered to the public in the Issue. These equity shares are eligible for being locked in for Promoter's contribution for three years as they fall under the exemption granted to unlisted government companies and those engaged in infrastructure sector through the proviso to Clause 4.6.2 of the SEBI Guidelines;

- Our Company has not been formed by the conversion of a partnership firm into a company;
- The Equity Shares held by the Promoter and offered for minimum 20% Promoters' contribution are not subject to any pledge;
- The minimum Promoter's contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through an intermediary; and
- The minimum Promoters' contribution does not contain any Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in; and
- Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue Equity Shareholding of our Company held by the Promoter shall be locked-in for a period of three years from the date of Allotment in the Issue.

The details of the Equity Shares held by the Promoter to be locked-in for a period of three years are given below:

Date of Issue/Allotment	Number of Equity Shares	Face Value (Rs.)*	Issue price per equity share (Rs.)	Consideration (cash/other than cash)
March 13, 2008	88,30,930	10	10	Cash
March 26, 2007	31,66,70,500	10	10	Cash
March 13, 2007	13,54,60,000	10	10	Cash
February 7, 2007	24,56,20,000	10	10	Cash
September 6, 2006	15,11,20,000	10	10	Cash
July 21, 2006	11,36,80,000	10	10	Cash
April 20, 2006	2,03,80,000	10	10	Cash
March 24, 2006	5,66,80,000	10	10	Cash
December 29, 2005	17,57,10,000	10	10	Cash
November 23, 2005	10,46,90,000	10	10	Cash
September 30, 2005	83,32,300	10	10	Cash
September 30, 2005	18,59,30,000	10	10	Cash
July 22, 2005	9,94,30,000	10	10	Cash
April 21, 2005	15,88,90,000	10	10	Cash
March 24, 2005	25,70,90,000	10	10	Cash
December 30, 2004	18,71,20,000	10	10	Cash
October 30, 2004	23,45,14,825	10	10	Cash
Total	2,46,01,48,555			

* Equity shares of Rs. 1,000 each were split into 100 equity shares of Rs. 10 each on March 13, 2007.

The Promoters' contribution has been brought in to the extent of up to 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 for which transfer is made under 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 shall be locked in for one year is 8,16,32,20,203 Equity Shares.

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.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to new promoters or persons in control of our 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.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. Shareholding Pattern of our Company

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

Name of Shareholder		Pre-Issue		Post- Issue	
		Number of Equity Shares	Shareholding (%)	Number of Equity Shares	Shareholding (%)
1.	President of India, acting through the MoP (including nominees)	11,18,24,93,430	100.00	10,62,33,68,758	86.36
2.	Public (including Eligible Employees)	Nil	Nil	1,67,73,74,015	13.64
	Total	11,18,24,93,430	100.00	12,30,07,42,773	100.00

- In case of over-subscription in all categories, at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders. 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 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% 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.
- A total of 2.50% of the Issue, i.e. 4,19,34,350 Equity Shares, has been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum bid by each Eligible Employee in this portion being Rs. 0.25 crore. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Eligible Employees other than as defined in this Draft Red Herring Prospectus are not eligible to participate under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the Net Issue

Portion and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 4,19,34,350 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. The unsubscribed portion, if any, in the Net Issue shall be allowed to be met with spill-over to the extent of such under subscription from the Employee Reservation Portion.

6. The list of shareholders of our Company and the number of Equity Shares held by them as on the date of filing and ten days before the date of filing of this Draft Red Herring Prospectus is as follows:

As on the date of filing of this Draft Red Herring Prospectus:

S. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	11,18,24,92,830	99.99
2.	Mr. S.K. Garg*	100	Negligible
3.	Mr. S.K. Chaturvedi*	100	Negligible
4.	Mr. A.B.L. Srivastava*	100	Negligible
5.	Mr. Gurdial Singh*	100	Negligible
6.	Mr. Jayant Kawale*	100	Negligible
7.	Mr. Rajesh Verma*	100	Negligible
	Total	11,18,24,93,430	100

* as a nominee of the President of India

Ten days before the filing of the Draft Red Herring Prospectus:

S. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	11,18,24,92,830	99.99
2.	Mr. S.K. Garg*	100	Negligible
3.	Mr. S.K. Chaturvedi*	100	Negligible
4.	Mr. S.P. Sen*	100	Negligible
5.	Mr. Gurdial Singh*	100	Negligible
6.	Mr. Jayant Kawale*	100	Negligible
7.	Mr. Rajesh Verma*	100	Negligible
	Total	11,18,24,93,430	100

* as a nominee of the President of India

7. The shareholders of our Company two years before the date of filing of this Draft Red Herring Prospectus, i.e., as on July 31, 2006, are as follows:

S. No.	Name of Shareholders	Number of Equity Shares*	Shareholding (%)
1.	President of India acting through the MoP	10,34,93,414	99.99
2.	Mr. Rajesh Verma**	1	Negligible
3.	Mr. S.K. Garg**	1	Negligible
4.	Mr. S.K. Chaturvedi**	1	Negligible
5.	Mr. Gurdial Singh**	1	Negligible
6.	Mr. A. K. Kutty**	1	Negligible

S. No.	Name of Shareholders	Number of Equity Shares*	Shareholding (%)
7.	Mr. S.P. Sen**	1	Negligible
	Total	10,34,93,420	100

* With effect from March 13, 2007, the equity shares of the face value of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each.

** as a nominee of the President of India

8. The Equity Shares of our Company are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Draft Red Herring Prospectus.
9. Except for the allotment of 88,30,930 Equity Shares (face value of Rs. 10), to the President of India, acting through the MoP on March 13, 2008 neither the President of India, acting through the MoP, 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 Draft Red Herring Prospectus is filed with SEBI.
10. Four of our Directors hold Equity Shares as nominees of the President of India. None of our key managerial employees holds any Equity Shares. For details, see **“Our Management”** on page 125.
11. As of the date of the filing of this Draft Red Herring Prospectus, the total number of holders of our Equity Shares is seven.
12. Except for allotment of 6,29,529 equity shares (face value of Rs. 1,000) on February 28, 1978 and allotment of one equity share (face value of Rs. 1,000) (partly for other than cash) on August 6, 1980 to the President of India acting through MoP, GoI, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
13. Our Company has not granted any options or issued any shares under any employees’ stock option or employees’ stock purchase scheme. However, the Pay Committee has recommended that all public sector undertakings should formulate an ESOP and 10% to 25% of the PRP should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify.
14. 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.
15. An over-subscription to the extent of 10% of the net offer to public can be retained for the purposes of rounding off to the minimum allotment lot and further to the nearest multiple of market lot i.e. one Equity Share.
16. Our Promoter, our Company, our Directors and the BRLMs have not entered into any buy-back or standby arrangements for purchase of Equity Shares from any person.
17. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
18. Our Company and the Selling Shareholders have not raised any bridge loans against the proceeds of the Issue.

19. We presently do not intend or propose any 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 this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.
20. We presently do not intend or propose to alter our capital structure from the date of submission of this Draft Red Herring Prospectus until the Equity Shares have been listed on the Stock Exchanges.
21. 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.
22. 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.
23. No Equity Shares held by our Promoter is subject to any pledge.
24. Our Promoter will not participate in this Issue.

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

The Offer for Sale

The object of the Offer for Sale is to carry out the disinvestment of 55,91,24,672 Equity Shares of Rs. 10 each by the Selling Shareholder. The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder.

The Objects of the Fresh Issue

The objects of the Fresh Issue are:

- (a) to utilise the proceeds of the Fresh Issue, after deducting the proportionate underwriting and issue management fees, selling commissions and other expenses associated with the Fresh Issue (the “**Net Proceeds of the Fresh Issue**”) to part finance the construction and development costs of certain of our projects (identified below);
- (b) to utilise the remaining portion of the Net Proceeds of the Fresh Issue for general corporate purposes; and
- (c) to create a public trading market for our Equity Shares by listing them on Stock Exchanges, as we believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The main objects clause of our Memorandum of Association enables us to undertake the activities for which the funds are being raised by us in the Fresh Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of our Memorandum of Association.

Fund Requirement

S. No.	Particulars	Amount (Rs. in crore)
(a).	Approved Cost of Identified Projects	14,013.96
(b).	Issue Expenses	●
(c).	General Corporate Purposes	●
	Total	●

In view of the dynamic nature of the power sector, we may have to revise our expenditure and fund requirements or the commissioning schedule of our various projects as a result of variations in cost estimates, exchange rate fluctuations and external factors including geological factors and change in design of the project which may not be within the control of our management. This may entail rescheduling and revising the planned expenditures and fund requirements and increasing or decreasing expenditures for a particular purpose at the discretion of our management, within the Identified Projects. Besides we are required to indicate the anticipated project cost on year to year basis, after adjusting them to current price level, which appears on the website of CEA. However, difference between the approved project cost and anticipated project cost is considered for approval of competent authority in due course of time.

Funding Plan

S. No.	Particulars	Amount (Rs. in crore)
(a).	Debt	9,175.76
(b).	Subordinate Debt from Government of India	634.00
(c).	Equity from Government of India	2,060.08
(d).	Internal Accruals	[●]
(e).	Proceeds of the Fresh Issue	[●]
	Total	[●]

We received a non-renewable line of credit aggregating Rs. 6,500.00 crore from LIC, through a line of credit agreement dated February 17, 2005. Pursuant to a resolution of our Board of Directors dated March 26, 2007, out of the said line of credit limit, Rs. 6,203.94 crore were earmarked for five Identified Projects, i.e. Subansiri Lower, Uri-II, Chamera-III, Parbati-III and Nimmo Bazgo (“**Identified Projects**”). As on July 15, 2008, the Company has undrawn facilities aggregating Rs. 4,603.94 crore available from the said line of credit. Further, we have entered into loan agreements dated March 24, 2008 with PFC for Teesta Low Dam – IV and Chutak Projects for credit facilities of Rs. 750.00 crore and Rs. 70.00 crore respectively, out of which as on July 15, 2008, the undrawn amount is Rs. 648.00 crore for Teesta Low Dam – IV. With respect to the Chutak project, we have fully utilized the tied-up amount of Rs. 70.00 crore. We intend to tie-up the balance debt aggregating Rs. 2,151.82 crore in due course as per the funds requirement for our respective Identified Projects.

The MoP, GoI, approved subordinate debt for two of the Identified Projects i.e. Nimmo Bazgo and Chutak aggregating Rs. 270.00 crore and Rs. 364.00 crore respectively through letter no. 33/1/2002-DO (NHPC) dated November 23, 2006, which is still undrawn as on date.

For further details of the loans availed of by our Company, see “**Financial Indebtedness**” on page 241.

We have received Equity from Government of India aggregating Rs. 2,060.08 crore for the Identified Projects.

We intend to utilize the Net Proceeds of the Fresh Issue towards the balance equity requirement for the Identified Projects. Any shortfall in the Net Proceeds of the Fresh Issue will be met through the Internal Accruals.

We confirm that we have made firm arrangements through verifiable means of finance for financing at least 75% of the fund requirements excluding the Net Proceeds of the Fresh Issue.

(a) Details of the Identified Projects

The Net Proceeds of the Fresh Issue are intended to be utilized for part financing the construction and development costs of the Identified Projects set forth below:

1. Subansiri Lower
2. Uri - II
3. Chamera - III
4. Parbati - III
5. Nimmo Bazgo
6. Chutak

7. Teesta Low Dam - IV

S. No.	Identified Project	Location	Generating Plant Capacity (MW)	Original Date of Completion (as per CCEA Sanction)	Estimated Date of Completion (as per Management Estimates)
1.	Subansiri Lower	Arunachal Pradesh	2,000 (8 x 250)	September, 2010	January, 2012
2.	Uri - II	Jammu and Kashmir	240 (4 x 60)	November, 2009	August, 2010
3.	Chamera – III	Himachal Pradesh	231 (3 x 77)	August, 2010	As per Schedule
4.	Parbati - III	Himachal Pradesh	520 (4 x 130)	November, 2010	As per Schedule
5.	Nimmo Bazgo	Jammu and Kashmir	45 (3 x 15)	August, 2010	As per Schedule
6.	Chutak	Jammu and Kashmir	44 (4 x 11)	February, 2011	As per Schedule
7.	Teesta Low Dam – IV	West Bengal	160 (4 x 40)	September, 2009	August, 2010

For further details of the Identified Projects, see “*Our Business – Projects under Construction*” on page 81.

Funds Requirement and Funding Plan for our identified Projects

Within the stipulated debt–equity structure of 70:30, for certain of the Identified Projects, the GoI has also approved subordinate debt or instructed us to utilise internal resources. Details for each of the Identified Projects are described in the table below.

(Rs. in crore)

S. No.	Name of Identified Project	Funds Requirement Approved Cost (as per CCEA)	Funding Plan				Amount deployed as of July 15, 2008*	Sources of Funds Already Deployed		
			Debt	Subordinate Debt from Government of India	Equity	Internal Accruals		Debt	Equity from Government of India	Internal Accruals @
1.	Subansiri Lower	6,285.33	4,399.73	-	1,885.60	-	2,228.21	728.41	1,448.13	51.67
2.	Uri-II	1,724.79	1,207.35	-	517.44	-	394.70	230.78	136.24	27.68
3.	Chamera-III	1,405.63	983.94	-	421.69	-	480.09	278.50	173.60	27.99
4.	Parbati-III	2,304.56	1,613.19	-	591.37	100.00	479.56	311.53	130.71	37.32
5.	Nimmo Bazgo	611.01	157.71	270.00	183.30	-	163.71	50.78	52.93	60.00
6.	Chutak	621.26	70.88	364.00	186.38	-	148.00	70.00	41.97	36.03
7.	Teesta Low Dam IV	1,061.38	742.96	-	238.82	79.60	271.13	102.00	76.50	92.63
	Total	14,013.96	9,175.76	634.00	4,024.60	179.60	4,165.40	1,772.00	2,060.08	333.32

* As certified by GSA & Associates, Chartered Accountants vide their certificate dated July 21, 2008

@ We are incurring expenditure on regular basis as per the progress of the work and are drawing the debts from LIC/PFC on periodical basis. Pending disbursement of further debt from LIC/PFC, we have already incurred Rs. 216.40 crore out of our Internal Accruals, which will be recouped in due course out of the further disbursement from LIC/PFC and the deployment figures of Debt and Internal Accruals will be updated suitably.

The following table presents an overview of the balance funds required for the Identified Projects:

S. No.	Particulars	Amount (Rs. in crore)
1.	Total Fund Requirement for the Identified Projects	14,013.96
2.	Less: Amount deployed as of July 15, 2008	4,165.40
3.	Remaining Funds Requirement	9,848.56
4.	Undrawn Debt facilities (Net of Internal Accruals to be recouped) as of July 15, 2008*	5,669.54
5.	Balance Debt to be Tied-up	2,151.82
6.	Proceeds of the Fresh Issue	[●]
7.	Amount to be funded out of Internal Accruals	[●]

*Undrawn Debt facility from LIC & PFC (Net of Internal Accruals to be recouped): Rs. 5,035.54 crore and Undrawn Subordinate Debt from Government of India: Rs. 634.00 crore.

Project Contracts

Currently, prior to implementation of a project, our Company prepares an estimate of the cost for implementing a project, which is subsequently approved by the GoI. The approved cost of a project is generally financed by a debt-equity ratio of 70:30. Project implementation contracts are awarded by our Company through three-stage international competitive bidding processes, comprising pre-qualification, techno-commercial bidding and price bidding to ascertain general, technical and financial suitability of parties involved. Works of comparatively smaller value are awarded through local competitive bidding using different tender conditions. Project implementation contracts typically include price variation clauses, completion time guarantee clauses, defect liability clauses, indemnity clauses and *force majeure* clauses. Project costs can escalate due to any of the reasons mentioned above or due to other circumstances which may not be foreseeable or within our management's control. Any such increase in the price of contracts is borne by our Company and is subsequently adjusted towards the equity or debt component of the project. In the event we exceed the approved cost of the project, our increased project cost estimates are required to be approved by the GoI. Our Company has in the past with respect to certain projects exceeded the original approved cost and has consequently obtained the consent of the GoI for the revised costs in due course.

Project Implementation

Projects are generally implemented by breaking down the project into a number of 'packages'. There may be varying number of packages depending on the size of the project being implemented. Project implementation contracts are largely categorized into three categories: civil packages, electrical and mechanical packages and hydro-mechanical packages. These packages are awarded at varying periods during the implementation of the respective projects.

With respect to the Identified Projects we have awarded the following contract packages as on the date of the Draft Red Herring Prospectus:

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
1.	Subansiri Lower	Civil works	Agreement for construction of diversion tunnels, coffer dams, concrete gravity dam, plunge pool and cut-off wall.	January 16, 2004	BGS – SGS – Soma JV	Rs.1,059.44 crore + Euro 7,079,770.88
			Contract for construction of surface power house, tail race tunnel, head race tunnel, surge chambers, and intake structures	January 19, 2004.	Larsen & Toubro Limited	Rs. 921.59 crore
		Electrical and mechanical works	(First) contract for supply of all offshore equipment and materials for electrical and mechanical works	March 30, 2005	Consortium of Alstom Power Hydraulique, France & Alstom Projects India Limited	Euro 76,802,185.00 + US\$ 6,779,760.00
			(Second) contract for supply of all on-shore equipment and materials for electrical and mechanical works	March 30, 2005	Consortium of Alstom Power Hydraulique, France & Alstom Projects India Limited	Rs. 727.97 crore + Euro 23,212,410 + US\$ 14,568,808
			Contract for all on-shore services in respect of all equipment supplied under both first and second contract	March 30, 2005	Alstom Projects India Limited	Rs. 123.74 crore
		Hydro-mechanical works	(First) contract agreement for supply of all equipment and tools for certain hydromechanical works	July 12, 2006	Texmaco Limited, Kolkata	Rs. 211.48 crore + Euro 2,215,729.70

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
			(Second) contract for all services including installation and commissioning of certain hydromechanical equipment and materials	July 12, 2006	Texmaco Limited, Kolkata	Rs. 71.92 crore
2.	Uri - II	Civil works	Agreement for construction of diversion tunnel including gates, concrete gravity dam, head race tunnel, surge shaft, pressure shaft, power house and tail race tunnel	October 17, 2005	Hindustan Construction Company	Rs. 574.99 crore
		Electrical and mechanical works	(First) contract for supply of all offshore equipment and materials for electrical and mechanical works	January 25, 2007	Alstom Power Hydraulique, France	JPY 1,814,229,275 + CHF 14,256,086
			(Second) contract for ex-works supply of all equipment and materials for electrical and mechanical works	January 25, 2007	Alstom Projects India Limited	Rs.186.73 crore + Euro 3,531,935.00
			(Third) Contract for providing all on-shore services of all equipment supplied under first and second contracts, including performance and guarantee tests	January 25, 2007	Alstom Projects India Limited	Rs. 38.82 crore
		Hydro-mechanical Works	(First) contract for supply of all equipment and materials for all hydromechanical works	June 5, 2007	OM Metals-SPML (JV), New Delhi	Euro 756,000 + Rs. 41.17 crore
			(Second) contract for providing all	June 5, 2007	OM Metals-SPML (JV),	Rs. 10.28 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
			services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract		New Delhi	
3.	Chamera - III	Civil works	Agreement for construction of diversion tunnel, diversion tunnel gate, coffer dams, concrete dam, intake structure, desilting arrangements, head race tunnel, surge shaft, pressure shaft, underground powerhouse tail race system and pot head yard	October 17, 2005	Hindustan Construction Company Limited	Rs.504.87 crore
		Electrical and mechanical works	(First) contract for supply of all offshore plant and equipment for electrical and mechanical works	March 2, 2007	Alstom Power Hydraulique, France	JPY 1,150,003,216
			(Second A) contract for supply of all required plant and equipment of Indian origin for electrical and mechanical works	March 2, 2007	Alstom Power Hydraulique, France	Rs.36.30 crore
			(Second B) contract for supply of all required plant and equipment of Indian origin for electrical and mechanical works	March 2, 2007	Alstom Projects India Ltd.	Rs. 110.21 crore + Euro 3,216,547

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
			(Third) Contract providing all on-shore services including performance and guarantee tests in respect of equipment supplied under the first, second-A and second B contracts	March 2, 2007	Alstom Projects India Limited	Rs.27.20 crore
		Hydro-mechanical Works	(First) contract for supply of all equipment and materials for all hydromechanical works	August 20, 2007	OM Metals-SPML (JV), New Delhi	Rs. 45.92 crore + Euro 1,412,000.00
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract	August 20, 2007	OM Metals-SPML (JV), New Delhi	Rs.11.75 crore
4.	Parbati - III	Civil works	for construction of diversion cum spillway tunnels, including gates, hoists, coffer dams, rock field dam, cut off wall part, head race tunnel and other structures	January 25, 2006	Consortium of Patel Engineering Limited and Larsen &Toubro Limited	Rs.439.08 crore
			Agreement for the construction of part head race tunnel, surge shaft, pressure shaft, power house and tail race tunnel	January 17, 2006	Jager-Gammon joint venture	Rs.304.72 crore + Euro 3,548,491.73

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
		Electrical and mechanical works	Agreement for supply of all plant, equipment, instruments and tools for electrical and mechanical works	January 23, 2007	Bharat Heavy Electricals Limited	Rs. 282.72 crore + Euro 2,864,281.28 + CHF 12,848,109.68
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment	January 23, 2007	Bharat Heavy Electricals Limited	Rs. 37.17 crore + Euro 752,871.28 + CHF 778,251.32
		Hydro-mechanical Works	(First) contract for supply of all equipment and materials for all hydromechanical works	August 20, 2007	OM Metals-SPML (JV), New Delhi	Rs. 79.38 crore + Euro 524,000.00
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract	August 20, 2007	OM Metals-SPML (JV), New Delhi	Rs.13.81 crore
5.	Nimmo Bazgo	Civil works	Agreement for construction of concrete dam, coffer dams, diversion channel, surface power house, tail pool and switch yard	October 30, 2006	Hindustan Construction Company Limited	Rs.383.90 crore
		Electrical and Mechanical Works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	July 2, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.132.61 crore
			(Second) contract for providing all services including transportation,	July 2, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.22.00 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
			installation and commissioning of electrical and mechanical equipment supplied under first contract			
6.	Chutak	Civil works	Agreement for construction of diversion channel, cofferdams, barrage, head race tunnel, surge shaft, pressure shaft, underground power house, tail race tunnel system, and switch yard	October 30, 2006	Hindustan Construction Company Limited	Rs.410.54 crore
		Electrical and Mechanical Works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	October 3, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.171.75 crore
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment supplied under first contract	October 3, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.26. 30 crore
7.	Teesta Low Dam - IV	Civil Works package	Agreement for construction of diversion arrangement, concrete gravity dam along with spillway, roller compacted concrete ("RCC") dam, intake structure, surface power house, tail race channel, switch yard and	May 10, 2006	Hindustan Construction Company Ltd.	Rs.395.90 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement	Name of Party	Agreement Value
			other associated civil works			
		Electrical and Mechanical Works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	June 1, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.221.35 crore
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment supplied under first contract	June 1, 2007	Bharat Heavy Electricals Limited, New Delhi	Rs.26.23 crore
		Hydro-mechanical works	(First) contract for supply of all equipments and materials for all hydromechanical works	June 5, 2007	Om Metals – SPML(JV)	Euro 3,356,760 + Rs. 57.64 crore
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipments provided under first contract	June 5, 2007	Om Metals – SPML(JV)	Rs. 11.48 crore

**Excluding taxes wherever applicable*

The general nature of work carried out in various packages awarded by us is enumerated below:

Package name	Description
Dam Works	Construction of ▪ Main dam and spillways ▪ Diversion tunnel ▪ Cofferdam ▪ Intake structure
Head Race Tunnel Works	Construction of ▪ Adit tunnel and ▪ Head race tunnel

Package name	Description
Tail Race Tunnel Works	Construction of ▪ Adit tunnel and ▪ Tail race tunnel
Tunnel Works	Includes ▪ Head Race Tunnel Works and ▪ Tail Race Tunnel Works
Power house	Construction of ▪ Power House ▪ Switchyard ▪ Pressure Shaft and ▪ Surge Shaft
Hydro Mechanical Works	Construction of ▪ Radial Gates ▪ Step Log Gate ▪ Silt excluding gate ▪ Pressure shaft liner
Electrical and Mechanical Works	a) Turbine and accessories a. Turbine b. Main inlet valve c. Governing system b) Generator and accessories a. Generator b. Static Excitation system c) Balance of plant – Electrical system a. Bus Duct b. Tranformer c. General lighting services d. Cross Linked Polyethylene insulated power cable e. Pothead yard/Switchyard f. DC System g. CMR h. Protection system i. Power and control cables j. Tap off transformer and 11KV switchgear k. Illumination system l. Public Address system m. Electrical workshop n. Security and surveillance d) Balance of Plant – Mechanical System a. Diesel Generator set b. EOT crane c. Cooling water system d. Drainage and Dewatering system e. High voltage AC System f. High pressure and low Pressure Compressed Air system g. Fire fighting system h. Oil handling system i. Mechanical workshop j. Elevator k. Grounding system
Major Civil Works	Includes ▪ Dam Works ▪ Water Conduit Structure

Package name	Description
	▪ Power House

Implementation schedule

The Identified Projects are at varying stages of implementation. Hence, we have not yet awarded certain packages for the Identified Projects including those related to certain civil, electro-mechanical and hydroelectrical works, which are in the process of being finalized post which we will award the same through a competitive bidding process.

S. No.	Identified Project	Activity	Present Status / Estimated date of commencement	Estimated date of completion
1.	Subansiri Lower	Land Acquisition	Completed	
		Civil works	Already commenced	December 2011
		Electromechanical works	Already commenced	January 2012
		Hydromechanical works	Already commenced	September 2011
		Commissioning of the project	January 2012	
2.	Uri - II	Land Acquisition	Completed	
		Civil works	Already commenced	March 2010
		Electromechanical works	Already commenced	August 2010
		Hydromechanical works	Already commenced	September 2009
		Commissioning of the project	August 2010	
3.	Chamera - III	Land Acquisition	Completed	
		Civil works	Already commenced	January 2010
		Electromechanical works	Already commenced	August 2010
		Hydromechanical works	Already Commenced	August 2010
		Commissioning of the project	August 2010	
4.	Parbati - III	Land Acquisition	Completed	
		Civil works	Already commenced	August 2010
		Electromechanical works	Already commenced	February 2011

S. No.	Identified Project	Activity	Present Status / Estimated date of commencement	Estimated date of completion
		Hydromechanical works	Already Commenced	August 2010
		Commissioning of the project	November 2010	
5.	Nimmo Bazgo	Land Acquisition	Completed	
		Civil works	Already commenced	June 2010
		Electromechanical works	November 2008	August 2010
		Hydromechanical works	July 2008	August 2010
		Commissioning of the project	August 2010	
6.	Chutak	Land Acquisition	Completed	
		Civil works	Already commenced	November 2010
		Electromechanical works	August 2008	February 2011
		Hydromechanical works	July 2008	April 2010
		Commissioning of the project	February 2011	
7.	Teesta Low Dam – IV	Land Acquisition	Completed	
		Civil works	Already commenced	January 2010
		Electromechanical works	Already commenced	August 2010
		Hydromechanical works	Already commenced	March 2010
		Commissioning of the project	August 2010	

Deployment Schedule

(Rs. in crore)

S. No.	Name of Identified Project	Amount deployed as of July 15, 2008*	Estimated Expenditure to be incurred			
			During July 16, 2008 – March 31, 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 & onwards
1.	Subansiri Lower	2228.21	473.48	1,170.00	1,170.00	1,243.64
2.	Uri-II	394.70	421.53	450.00	375.00	83.56
3.	Chamera-III	480.09	197.27	375.00	325.00	28.27
4.	Parbati-III	479.56	236.33	600.00	705.67	283.00
5.	Nimmo Bazgo	163.71	144.66	160.00	100.00	42.64

6.	Chutak	148.00	88.94	160.00	190.00	34.32
7.	Teesta Low Dam IV	271.13	285.94	250.00	200.00	54.31
	Total	4,165.40	1,848.15	3,165.00	3,065.67	1,769.74

**As certified by GSA & Associates, Chartered Accountants vide their certificate dated July 21, 2008*

Appraisal of the Identified Projects

The fund requirements are approved by CCEA and the intended use of the Net Proceeds of the Fresh Issue described herein are based on our estimates and business plans. The fund requirements and intended use of Net Proceeds of the Fresh Issue have not been appraised by any bank or financial institution. A part of the Net Proceeds of the Fresh Issue will also be used for general corporate purposes.

(b) Issue expenses

The expenses for this Issue include lead management fees, underwriting and selling commission, advertisement and marketing expenses, printing and distribution expenses, IPO Grading expenses, legal fees, registrar fees, SEBI filing fees, bidding software expenses, depository charges and listing fees to the Stock Exchanges. The details of the estimated Issue expenses are set forth below.

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]
Underwriting and selling commission*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
IPO Grading expenses*	[●]	[●]	[●]
Others (Legal fees, SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.) *	[●]	[●]	[●]
Total	[●]	[●]	[●]

**Will be incorporated at the time of filing of the Prospectus.*

Lead managers', registrars', depositories' and legal fees and expenses, bidding software and printing charges, shall be proportionately shared between the Company and the GoI, and the remaining expenses shall be borne by our Company out of the Net Proceeds of the Fresh Issue.

(c) General Corporate Purposes

We intend to deploy the balance Net Proceeds of the Fresh Issue aggregating Rs. [●] crore, towards general corporate purposes, including but not restricted to meeting working capital requirements, equity component requirement for our other projects, strategic initiatives, entering into strategic alliances, partnerships, joint ventures and acquisitions, meeting exigencies which our Company in the ordinary course of business may face, repayment of debts, or any other purposes as approved by our Board.

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 utilization for the purposes described above, we intend to temporarily invest the funds from the Fresh Issue in interest bearing liquid instruments including investments in mutual funds, as approved by the DPE and deposits with banks, for the necessary duration. Such investments would be in accordance with the investment policies approved by our Board of Directors from time to time.

Monitoring of Utilisation of Funds

We have appointed IDBI Limited as the monitoring agency in relation to the Issue. Our Audit Committee and IDBI Limited will monitor the utilization of the Net Proceeds of the Fresh Issue.

We will disclose the details of the utilization of the Net Proceeds of the Fresh Issue, including interim use, under a separate head in our financial statements 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. As per the requirements of Clause 49 of the Listing Agreement, we will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full proceeds raised through the Fresh Issue have been fully spent. The statement shall be certified by our Statutory Auditors. Further, in terms of Clause 43A of the Listing Agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the Objects stated in this Draft Red Herring Prospectus. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Listing Agreement and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before the Audit Committee in terms of Clause 49.

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

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company and the Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The face value of the equity shares is Rs 10 and the issue price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the power generation and supply sector:

- Established track record in implementing hydroelectric projects;
- Long term power purchase agreements with our customers;
- Strong operating performance;
- Competent and committed workforce; and
- Strong in-house design and engineering team

For further details, see “*Our Business - Competitive Strengths*” on page 73.

Quantitative Factors

The information presented below relating to the Company is based on the Restated Unconsolidated Financial Statements for Fiscals 2006, 2007 and 2008 and Restated Consolidated Financial Statements for Fiscals 2006, 2007 and 2008 prepared in accordance with Indian GAAP. For details, see “*Auditor’s Report - Restated Unconsolidated Financial Statements*” and “*Auditor’s Report - Restated Consolidated Financial Statements*” on pages 148 and 180, respectively.

Note: With effect from March 13, 2007, the equity shares of the face value of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each. Accordingly, all the accounting ratios have been calculated on post-split basis.

Information presented in this section is derived from our standalone and consolidated restated financial statements prepared in accordance with Indian GAAP.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

1. Earning Per Share (EPS) (as adjusted for change in capital):

As per our Restated Unconsolidated Financial Statements:

Year ended	EPS (in Rs.)	Weight
March 31, 2006	0.73	1
March 31, 2007	0.87	2
March 31, 2008	0.97	3
Weighted Average	0.90	

As per our Restated Consolidated Financial Statements:

Year ended	EPS (in Rs.)	Weight
March 31, 2006	0.86	1
March 31, 2007	0.99	2
March 31, 2008	1.10	3
Weighted Average	1.02	

Note: EPS calculations have been done in accordance with Accounting Standard 20-“Earning per share” issued by the Institute of Chartered Accountants of India.

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

- P/E based on EPS as per our Restated Unconsolidated Financial Statements for year ended March 31, 2008 is [●]
- P/E based on EPS as per our Restated Consolidated Financial Statements for year ended March 31, 2008 is [●]
- Industry P/E
 - Highest: 1,496.5
 - Lowest: 10.7
 - Peer Group Average: 21.2

Source: Capital Market, Volume XXIII/11 July 28 – Aug 10, 2008 (Industry – Power Generation and Supply)

Peer group includes CESC Limited (“**CESC**”), Jaiprakash Hydro Power Limited (“**Jaiprakash Hydro**”), KSK Energy Ventures Limited (“**KSK Energy**”), NTPC Limited (“**NTPC**”), Reliance Power Limited (“**Reliance Power**”) and Tata Power Company Limited (“**Tata Power Co.**”).

3. Return on Net Worth as per restated Indian GAAP financials:

Return on Net Worth as per our Restated Unconsolidated Financial Statements:

Year ended	RONW (%)	Weight
March 31, 2006	4.92	1
March 31, 2007	5.74	2
March 31, 2008	6.30	3
Weighted Average	5.88	

Return on Net Worth as per our Restated Consolidated Financial Statements:

Year ended	RONW (%)	Weight
March 31, 2006	5.71	1
March 31, 2007	6.37	2
March 31, 2008	6.98	3
Weighted Average	6.57	

Note: The return on net worth has been computed by dividing Profit after Tax by Net Worth. The weighted average of Return on Net Worth (%) and adjusted Return on Net Worth (%) for these fiscal years have been computed by giving weights of 1, 2 and 3 for fiscal years ending March 31, 2006, 2007 and 2008 respectively.

4. Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2008:

Based on standalone restated financial statements:

- At the Floor Price – [●]%
- At the Cap Price – [●]%

Based on consolidated restated financial statements:

- At the Floor Price – [●]%
- At the Cap Price – [●]%

5. Net Asset Value per Equity Share of face value Rs. 10/- each

- As of March 31, 2008, as per our Restated Unconsolidated Financial Statements is Rs 15.40
- As of March 31, 2008, as per our Restated Consolidated Financial Statements is Rs 15.78
- After the Issue, as per our Restated Unconsolidated Financial Statements: [●]
- After the Issue, as per our Restated Consolidated Financial Statements: [●]
- Issue Price: Rs. [●]*

*Issue Price per Share will be determined on conclusion of book building process.

Net Asset Value per Equity Share represents Net Worth, as restated divided by the number of Equity Shares outstanding at the end of the period.

6. Comparison with Industry Peers:

Name of the Company	Face Value (Rs.)	E.P.S (Rs.) TTM*	Book Value (Rs.) as on March 31, 2008	RONW (%) for Fiscal 2008	P/E Multiple as on July 21, 2008
CESC	10.00	26.9	237.8	14.3	12.9
Jai Prakash Hydro	10.00	2.9	21.0	15.8	15.3
KSK Energy	10.00	-	54.5	3.4	-
NTPC	10.00	9.0	59.7	14.5	20.2
Reliance Power	10.00	0.4	57.2	0.2	-
Tata Power Co.	10.00	25.5	320.5	12.0	40.9
NHPC (on consolidated basis)	10.00	1.10	15.78	6.98	[●]

* TTM – Trailing Twelve Months ended March 2008

Source: Capital Market, Volume XXIII/11 July 28 – Aug 10, 2008 (Industry – Power Generation and Supply)

The Issue Price of Rs. [●] has been determined by our Company and the Selling Shareholder in consultation with the BRLMs and on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with “**Risk Factors**” and “**Financial Statements**” on pages xii and 148, respectively, to have a more informed view. The trading price of the Equity Shares of the Company could decline due to the factors mentioned in “**Risk Factors**” and you may lose all or part of your investments.

STATEMENT OF TAX BENEFITS

To

The Board of Directors,
NHPC Limited.,
NHPC Office Complex,
Sector 33, Faridabad, Haryana

Dear Sirs,

We hereby report that the enclosed annexure states the possible tax benefits that may be available to **NHPC Limited** (formerly known as National Hydroelectric Power Corporation Limited) (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other allied direct and indirect tax laws presently prevailing and in force in India.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India. Several of these benefits are subject to the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is subject to fulfillment of such conditions.

The benefits discussed in the annexure are not exhaustive. The information being furnished by us is in general in nature and it is neither designed nor intended to be a substitute for professional tax advice. Investors are advised to consult their own tax consultants with respect to the specific tax implication arising out of their participation in the Issue.

We do not express any opinion or provide any assurance as to whether

- i) the Company or its shareholders will continue to obtain these benefits in future or
- ii) the conditions prescribed for availing the benefits have been / would be met with.

This report is intended solely for information and for the inclusion in the Offer Documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose.

For **GSA & Associates**
Chartered Accountants

Sunil Aggarwal
Partner

M. No. 83899

Place :- Faridabad

Dated :- Aug 2, 2008

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE ISSUER COMPANY AND ITS SHAREHOLDERS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits 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 the fulfilling such conditions.

I SPECIAL TAX BENEFITS

A) TO THE COMPANY

A1. Under Central Sales Tax Act, 1956

- Tax on inter state sales leviable under Section 6(1) of the Central Sales Tax Act, 1956 is not applicable on sale of electricity energy.

A2. Under Customs Tariff

- In terms of Notification No. 21/ 2002-Cus. Dated 1-3-2002 as amended last by Notification No.21/2008-Cus. Dated 1-3-2008 under Customs Tariff of India, the goods required for setting up of any Mega Power Project are eligible to be imported at 'Nil' rate of Custom Duty subject to fulfillment of certain conditions. A Mega Hydel Power Project is an inter- state hydel power plant of a capacity of 350MW or more, located in the States of Jammu & Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura or an inter-state hydel power plant of a capacity of 500MW or more located in States other than those mentioned above.
- In terms of Notification No. 21/2002-Cus. Dated 1.3.2002 as amended last by Notification No. 21/2008-Cus. Dated 1-3-2008 under Customs Tariff of India, the Power Generating Companies are eligible to import goods required for power generation project including gas turbine power projects (excluding captive power plants set up by projects engaged in activities other than in power generation) at concessional rate of 5% 'Basic Custom Duty' under Chapter 98 (Project Imports).

A3. Under EXIM Policy

- Supply of goods to the power projects is entitled to 'Deemed Export Benefits' as available under Chapter 8 of Foreign Trade Policy of India.

B) TO THE MEMBERS OF THE COMPANY

There are no special tax benefits available to the members of the Company

II GENERAL TAX BENEFITS

A) To the Company

A1. Under the Income Tax Act, 1961 (IT Act)

- In accordance with and subject to the condition specified in Section 80-IA of the IT Act, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or transmission or distribution of power for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generates power or commences transmission or distribution of power if it

- begins to generate power at any time during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 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 115O of the IT Act, are exempt from tax in the hands of the Company.
 - While calculating dividend distribution tax as per provisions of Section 115-O, the reduction shall be allowed in respect of the dividend received by a domestic company from a subsidiary company during the financial year provided the subsidiary company has paid tax on such dividend and the domestic company is not a subsidiary of any other company. It is further provided that same amount of dividend shall not be taken into for reduction more than once. For this purpose a company shall be subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of another company.
 - By virtue of Section 10(15) (i) of the IT Act interest income earned from 8.5% SLR Power Bonds and Long Term Advances of Delhi Government are exempt from tax in the hands of the company
 - Income Tax on the income streams of the company from its core business is recovered from the beneficiaries in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

A2. Under Central Sales Tax Act, 1956

- 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 of electricity is eligible for concessional rate of sales tax of 2%.

B) To the Members of the Company

B1. Under the Income Tax Act, 1961 (IT Act)

1. All Members

- By virtue of Section 10(38) inserted by Finance (No. 2) Act, 2004, income arising from transfer of 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 1.10.2004 and such transaction is chargeable to the Securities Transaction Tax under that Chapter VII. However, long-term capital gain of a shareholder being a company shall be taken into account in computing the book profit and income tax payable under section 115JB (MAT).
- By virtue of Section 36 (1) (xv) inserted by the Finance Act, 2008 deduction shall be allowed while computing business income of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head "Profit and gains of business or profession."
- Under section 111A of the Act, capital gain arising from transfer of short term capital assets, being an equity share in the company which is subject to Securities Transaction Tax, will be chargeable to tax @ 15% (plus applicable surcharge and education cess).

2. Resident Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.
- As per the provisions of Section 112 of the IT Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) 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. However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefits exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakhs within a period of 6 months from the date of transfer in “long term specified asset”. If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said “long term specified asset” is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The “long term specified asset” specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).
- As per the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the Act shall not be chargeable to 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 of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential house, other than the new asset, on the date of the transfer of original asset. If the cost of residential house property is less than net consideration then exemption shall be proportionally reduced.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

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 115O of the IT Act, are 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 IT Act, viz. “Special Provisions Relating to certain Incomes of Non-Residents”. Under Section 115E of the IT Act, 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 a period exceeding 12 months shall (in cases not covered under Section 10(38) of the Act) be concessional taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuation.
- As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident . Thus, a Non Resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

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

- Under provisions of Section 115F of the IT Act, long term capital gains (not covered under Section 10(38) of the Act) 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 IT Act, 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 at source has been deducted there from.

Other Provisions

- Under Section 115-I of the IT Act, 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 IT 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 and instead the other provisions of the Act shall apply.
- Under the first proviso to Section 48 of the IT Act, 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.
- As per the provisions of Section 112 of the IT Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) 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. However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefits exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakhs within a period of 6 months from the date of transfer in “long term specified asset”. If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said “long term specified asset” is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The “long term specified asset” specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).
- As per the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the Act shall not be chargeable to 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 of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential house, other than the new asset, on the date of the transfer of original asset. If the cost of residential house property is less than net consideration then exemption shall be proportionally reduced.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

4. Foreign Institutional Investors (FIIs)

- 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 115O of the IT Act, are exempt from tax in the hands of the institutional investor.
- The income by way of short term capital gains or long term capital gains (not covered under Section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the IT Act.
 - * Short term capital gains - 30% (plus applicable surcharge and education cess)
 - * Long term capital gains - 10% (plus applicable surcharge and education cess). However, benefits of indexation or the adjustment in respect of foreign exchange fluctuation as provided by Section 48 of the Act are not available to an FII. (shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).
- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakhs within a period of 6 months from the date of transfer in “long term specified asset”. If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said “long term specified asset” is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The

- “long term specified asset” specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).
- As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FIIs. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. Venture Capital Companies / Funds

In terms of Section 10 (23FB) of the IT Act, all Venture Capital Companies / Funds 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.

6. Mutual Funds

In terms of section 10(23D) of the IT Act, mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under and such other mutual funds set up by public sector banks or public financial institutions or 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.

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, 1958

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, 2008 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 scheme.
- 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.

SECTION IV- ABOUT US

INDUSTRY OVERVIEW

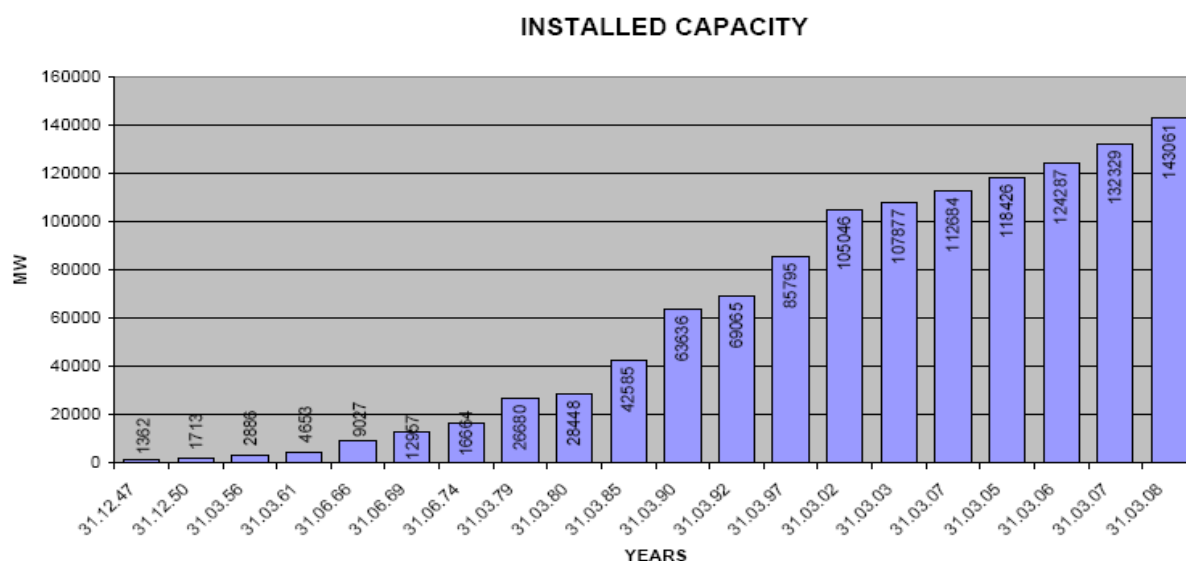
The information in this section has been extracted from the websites of and publicly available documents from various sources, including the MoP, the CEA and the Planning Commission of India. The data may have been re-classified by us for the purpose of presentation. Neither we nor any other person connected with the Issue has verified the information provided in this chapter. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured, and, accordingly, investment decisions should not be based on such information. Unless otherwise indicated, the data presented excludes captive capacity and generation. The term “units” as used herein refers to kilowatt hours (“kWh”).

Overview

The power industry in India has historically been characterized by energy shortages with demand for electricity far exceeding the supply. The continued growth of the Indian economy has accelerated the need for further investments in the power sector. The GoI has identified the power sector as a focus sector to sustain industrial growth. According to a CEA report titled *Power Scenario at a Glance*, in Fiscal 2008, demand for electricity exceeded supply by 9.90% (compared to 9.60% in Fiscal 2007). The total energy shortage during this period was 73,338 million units. Similarly, India’s peak demand deficit during this period was 16.60% or 18,073 million units. It is anticipated that by the year 2012, India’s peak demand would be 158,000 MW with total energy requirements of 1,097 billion units.

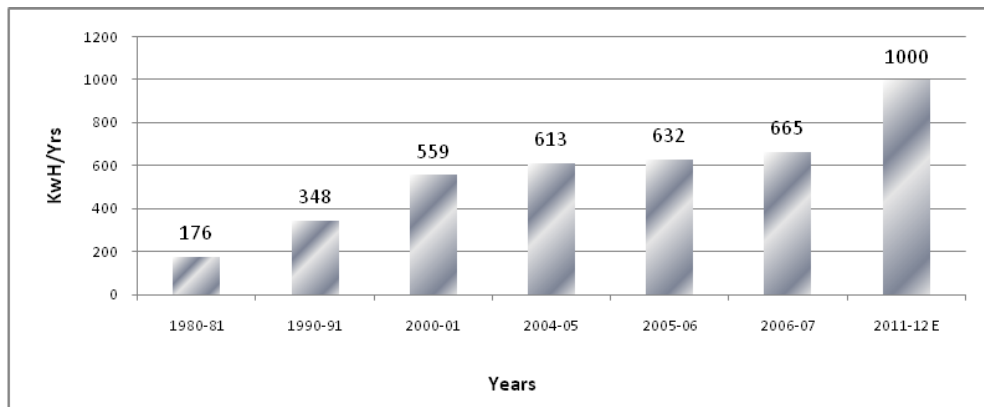
Indian Electricity Demand

Since independence, there has been a sizeable growth in the power sector as at the time of independence the generating capacity in the country was only 1,362 MW which has since increased to 144,565.1 MW as on May 31, 2008. According to the Hydro Power Policy 2008, the annual generation has grown from about 5 billion units to 704.45 billion units during Fiscal Year 2008. The following graph presents the growth of installed capacity generation in India since independence:



Source: Hydro Power Policy, MoP, 2008

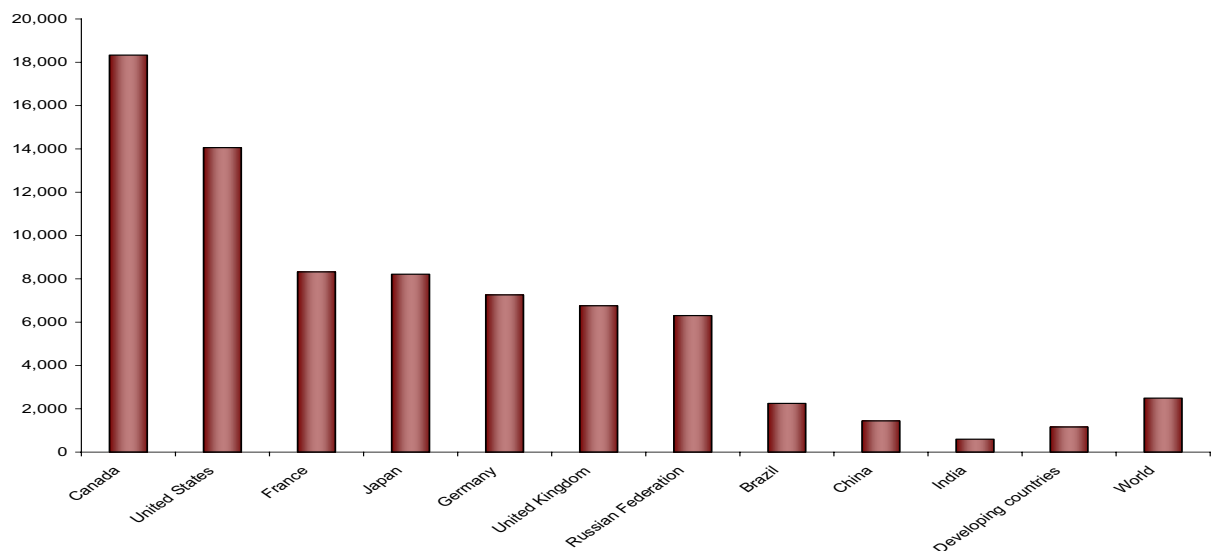
Despite the rapid increase in population over this period of time, the per capita consumption has increased from a mere 15 kWh/Year in Fiscal 1950 to 632 kWh/Year in Fiscal 2006 and to 665 kWh/Year in Fiscal 2007, and is expected to be 1,000 kWh/Year by Fiscal 2012. The following graph depicts the per capita consumption of electricity in India since Fiscal 1981:



Source: Hydro Power Policy, MoP, 2008

The per capita consumption in India is low compared to the rest of the world. The following chart prepared by the United Nations Development Program (“UNDP”) compares *per capita* electricity consumption in various developed and developing countries.

Chart: Per Capita Electricity Consumption across the World



Source: UNDP, Human Development Indicators, 2006

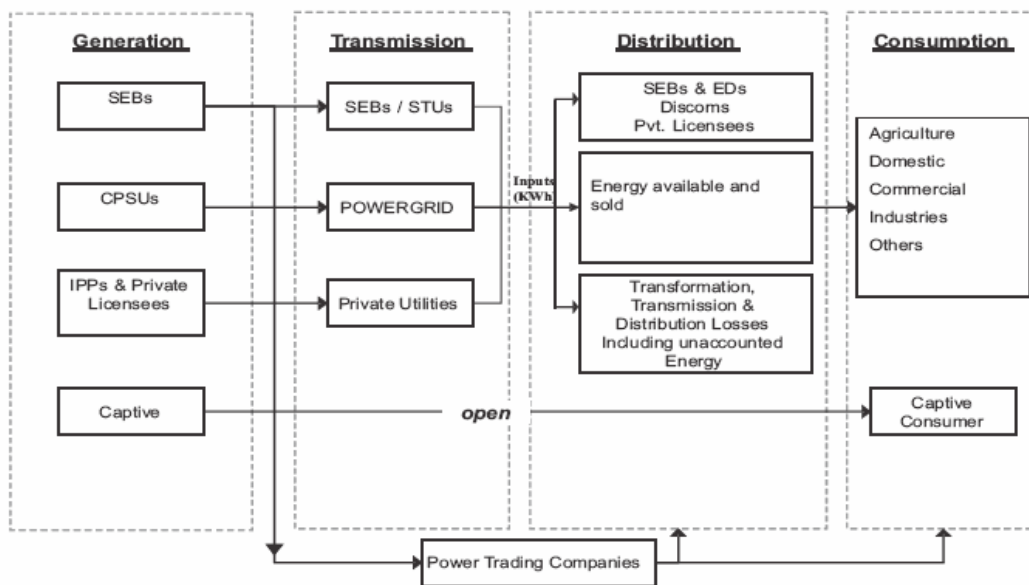
According to the CEA *Monthly Review of the Power Sector*, as of May 31 30, 2008, India had an installed generation capacity of approximately 144,565.1 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 63.79%, hydroelectric power stations accounted

for approximately 24.93%, nuclear power plants accounted for approximately 2.85% and renewable energy sources accounted for approximately 8.43% of the total power capacity.

Despite the fact that India is the sixth largest country in terms of power generation according to the Hydro Power Policy 2008, the overall electricity shortages continues to be a major concern. The peaking shortages were about 16.60% for Fiscal 2008, on an all India basis. According to the CEA report titled *Power Scenario at a Glance*, the energy shortages in Fiscals 2005, 2006 and 2007 were 11.70%, 12.30% and 13.80% of peak demand requirements, respectively.

Structure of the Indian power sector

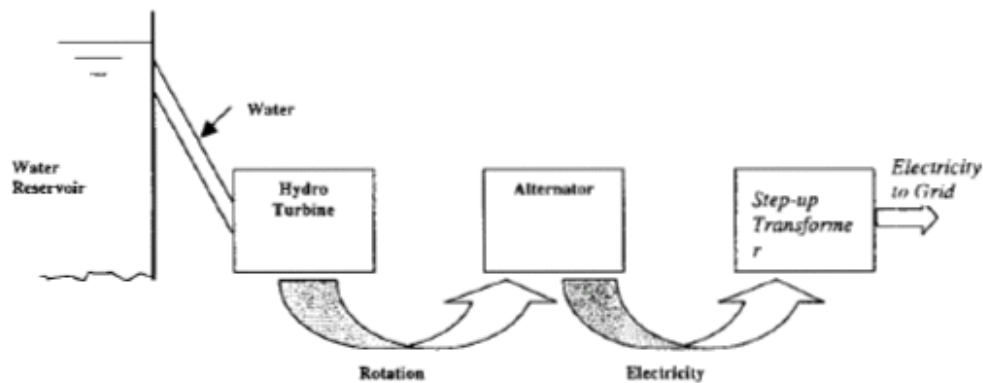
The following diagram depicts the structure of the Indian power industry for generation, transmission and distribution and consumption:



Hydroelectricity

Hydropower is a renewable, economical, non-polluting and environmentally benign source of energy. Developing hydropower enhances energy security and there is no fuel cost during the life of the project. Its generation is unaffected by issues concerning fuel supply, particularly the volatile price fluctuations which affect imported fuels. Hydropower stations are capable of instantaneous starting and stopping and are able to accommodate various loading alternatives. They help to improve the reliability of power systems and are ideal for meeting demand during peak times.

In a hydroelectric power station, energy is harnessed from water by running it from a higher height to a lower height and in the process, driving a hydro-turbine, which rotates an alternator to produce electricity.



- Water reservoir: Hydropower plants utilize a water reservoir, which provides the energy (i.e. moving water) to rotate the hydro turbine.
- Hydropower turbines: The water flow drives the turbines, making the rotors of the turbine rotate at high speeds.
- Alternators: Alternators are coupled to the turbines and rotate with the rotors of the turbine. The alternators convert the energy generated by the rotation of the turbines' rotors into electricity.

In order to evaluate the potential energy from a site, three aspects are considered:

- The Head: This is the height the water falls through the hydropower installation. The gross head is the difference between the upstream water level, where the water would enter a pipeline, and the down stream level, where the water leaves the installation. The net head is usually taken as the head across the turbine only and is the gross head less the losses due to pipeline friction, intake screen losses and other such reductions in energy.
- Available Flow: This is the flow that can be directed through the turbine, which may not be the entire flow of the river since some water is usually left in the water course for environmental reasons or navigational purposes.
- Duration of the Flow: The flow in most rivers varies with time. Hence a flow duration curve is required to estimate the amount of time that an installation can run during the year. Average flow is generally given when discussing flow duration.

The principal classifications for the various types of hydroelectric development are:

- Run-of-the-river (**“RoR”**) schemes: In this type of scheme, electricity is generated from the water flow of a river or other moving water source. This type of project generally has no reservoir to store water inflow from the catchment area. Storage ponds can be constructed to divert water in a run-of-the-river scheme. However these storage ponds do not have an impact on the flow of the water source. Storage ponds on run-of-the-river schemes (**“pondage schemes”**) are used to mitigate the impact of short-term variations in the water flow.
- Storage schemes: These schemes include a reservoir where seasonal surplus of water in excess of demand is stored for generating electricity in seasons of lower flows when demand exceeds inflow. In a storage scheme there is much greater flexibility for modulation of inflows. It can have annual or even carry-over capacity from one year to the next.
- Tidal Plant schemes: In a tidal plant scheme, power is generated by virtue of the daily differences in tidal levels. The tidal range, or amplitude, is given by the difference between the high tide level and the subsequent low tide level. The tidal range is not constant even at

- one site but fluctuates to a smaller or larger extent around a local mean value depending on geographical position.
- **Pumped Storage schemes:** In these schemes, water generates power during peak demand, while the same water is pumped back in the reservoir during lean demand period. A pumped storage plant operates on the principle that the same machines are used for generation of power during peak hours when power is given to the network and for pumping back water into the reservoir during off peak hours, utilizing power from the system. The provision is based on economics of operation and the availability of enough spare capacity in the grid to operate the machines as pumps in the low load period.

Hydropower Potential in India

According to the Hydro Power Policy 2008, India has enormous potential for hydroelectric generation, assessed by CEA to be about 84,000 MW at 60% load factor, which translates to 148,700 MW in terms of installed capacity. In addition to the above, 6,782 MW of installed capacity has been assessed from small, mini and micro hydroelectric schemes (i.e., schemes of capacity up to 25 MW). Further according to the India Investment Centre, 56 potential pumped storage sites, with an aggregate installed capacity of 94,000 MW, have also been identified.

The basin-wise estimated hydropower potential and probable installed capacities are given below:

Basin/River	Potential at 60% Load Factor	Probable Installed Capacity (MW)
Indus	19,988	33,832
Ganga	10,715	20,711
Central Indian Rivers	2,740	4,152
West-Flowing Rivers	6,149	9,430
East-Flowing Rivers	9,532	14,511
Brahmaputra	34,920	66,065
Total	84,044	148,701

Source: Hydro Power Policy, MoP, 2008

The installed hydropower generating capacity (with station capacity above 25 MW) including pumped storage schemes in the country is 36,033.80 MW (as on May 31, 2008). This capacity does not include small hydropower capacity of 2,120.34 MW in respect of hydropower plants having installed generating capacity up to 25 MW which has been categorised as Renewable Energy Sources (“RES”) in the year 2007-08.

To meet the current peak and non-peak power demand, government estimates that a hydro-thermal mix of 40:60 would be ideal. As of May 31, 2008, the total installed capacity in the country was 144,565.1 MW and hydropower accounts for 36,033.80 MW (24.93%) as shown below:

Table: Share of Hydropower in Total Power Generation in India, as of May 31, 2008

Type of Station	Installed Capacity	Percentage Share
Hydro Power	36,033.80 ⁽¹⁾	24.93
Thermal	92,216.70	63.79
Nuclear	4,120.00	2.85
R.E.S	12,194.60 ⁽²⁾	8.44
Total	144,565.20	100.00

- (1) Excludes small hydropower plants with cumulative capacity of 2,120.34 MW, which have been classified under the RES category in the year 2007-08
- (2) RES includes small hydro, wind energy and biomass.

Source: CEA, "Power Scenario at a Glance", June 2008

Plan Wise Growth and Share of Hydropower

To meet the growing demand and shortages encountered in various regions, the generation capacity needs to be doubled over the next 10 years, so as to meet the total demand both in terms of peak and energy. The GoI adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased targets for additional capacity for power generation.

Despite the benefits of hydroelectric projects, hydropower's share of the Indian market for power has steadily declined. At the end of First Five Year Plan (1951-56), hydropower constituted 37% of the total installed capacity in the power sector, and rose to more than 45% by 1963. Until the late 1970s, hydropower continued to represent more than 40% of India's power supply. This was considered at the time to be the ideal hydro-thermal mix for meeting demand in an efficient manner. However, in the 1980s, hydropower's share began declining sharply and in Fiscal 2008 hydropower constitutes only about 25% of the overall installed capacity of the country. The table below illustrates the trend from the First Five Year Plan starting in 1951 to the end of the Tenth Five Year Plan in 2007.

Table: Plan wise growth of Hydropower in the total installed capacity

Installed Capacity at the end of Plan (MW)				
Plan Period	Hydropower Capacity Addition During the Plan (MW)	Hydropower Installed Capacity	Total Installed Capacity Including Other R.E.S.	Hydropower Share as % of Total Installed Capacity
1 st Plan (1951-56)	380.19	1,061.44	2,886.14	36.78
2 nd Plan (1956-61)	977.18	1,916.66	4,653.05	41.19
3 rd Plan (1961-66)	2,207.08	4,123.74	9,027.02	45.68
3 Annual plans (1966-69)	1,783.17	5,906.91	12,957.27	45.58
4 th Plan (1969-74)	1,058.39	6,965.30	16,663.56	41.80
5 th Plan (1974-79)	3,867.77	10,833.07	26,680.06	40.60
Annual Plan (1979-80)	550.90	11,383.97	28,447.83	40.01
6 th Plan (1980-85)	3,076.05	14,460.02	42,584.72	33.96
7 th Plan (1985-90)	3,828.41	18,307.63	63,636.34	28.77
2 Annual Plans (1990-92)	881.50	19,194.62	69,065.39	27.79
8 th Plan (1992-97)	2,427.65	21,644.80	85,019.31	25.46
9 th Plan (1997-02)	4,538.25	26,261.23	103,410.04	25.40
10 th Plan (2002-07)	7,886.00	34,653.77 ⁽¹⁾	132,329.21	26.19

(1) Includes 1,168 MW of small hydropower capacity which was later transferred to RES category in the year 2007-08.

Source: Hydro Power Policy, MoP, 2008

As a result of the decreasing share of hydropower, thermal generation, which should ideally be used only for base load operations, is also being used to meet peak requirements. This leads to sub-optimal utilisation of economic and non-renewable resources.

The actual capacity additions across various plans have been detailed in the following table:

Table: Plan wise Hydropower Capacity Targets and Achievements

	Target in MW (original)	During capacity addition MW (original)	% of the original achieved
4th Plan (1969-74)	3,518.00	1,058.39	30.08
5th Plan (1974-79)	4,654.00	3,867.77	83.11
Annual Plan (1979-80)	548.00	550.90	100.53
6th Plan (1985-90)	4,768.00	3,076.05	64.51
7th Plan (1985-90)	5,541.25	3,828.41	69.09
Annual Plan (1990-91)	1,006.50	445.50	44.26
Annual Plan (1991-92)	754.30	436.00	57.80
8th Plan (1992-97)	9,282.15	2,427.65	26.15
9th Plan (1997-02)	9,817.70	4,538.25	46.23
10th Plan (2002-07)	14,393.20	7,886.00	54.79

Source: Hydro Power Policy, MoP, 2008

To meet the energy requirements of 1,038 billion units and a peak load of 152,746 MW with a 5% spinning reserve, a total capacity addition of about 78,700.4 MW is required during the 11th Plan of which 9,263 MW have already been commissioned as on March 31, 2008 with hydropower contributing 26.16% of the commissioned units. However, a capacity addition of 78,700.4 MW comprising 36,874.0 MW (46.85%) in central sector, 26,783.4 MW (34.03%) in the state sector and 15,043.0 MW (19.11%) in the private sector has been proposed during the 11th Plan. Out of this, a capacity of 15,627 MW is proposed to be added from hydropower projects comprising 8,654 MW (55.38%) in central sector, 3,482 MW (22.28%) in state sector and 3,491 MW (22.34%) in the private sector. The details of the capacity addition, sector-wise, are as under:

Table: Summary of Capacity Addition during the 11th Plan as on May 31, 2008

	Hydropower	Total Thermal	Thermal Break-up			Nuclear	Total
			Coal	Gas/ LNG	Liq. Fuel		
Central Sector	8,654.0	24,840.0	23,350.0	1,490.0	0.0	3,380.0	36,874.0
State Sector	3,482.0	23,301.4	19,985.0	3,316.4	0.0	0.0	26,783.4
Private Sector	3,491.0	11,552.0	9,515.0	2,037.0	0.0	0.0	15,043.0
All India	15,627.0	59,693.4	52,850.0	6,843.4	0	3,380	78,700.4

Source: CEA, "Power Scenario at a Glance", June 2008

The proposed hydropower capacity addition during the 11th plan is 15,627 MW. Out of this, 2,423 MW capacity has already been commissioned and 13,574 MW is under construction as on April 30, 2008.

The CEA, in consultation with the States, Department of Space, MoEF, Central Water Commission, and Geological Survey of India, had initiated a ranking study of all hydroelectric sites with a view to identifying the appropriate sequence in which basin projects should be taken up. The objective of the study is to promote the optimal utilization of potential hydroelectric projects over the next few decades.

Other Policy Initiatives for Increasing the Hydropower Capacity in India

The GoI has accorded a high priority to the development of India's hydroelectric potential and has from time to time taken a number of policy initiatives to address the issues impeding hydropower development. The GoI has put in renewed efforts to encourage hydropower development through public as well as private sector participation.

As per the re-assessment of hydroelectric potential carried out by CEA (1978-87), the hydropower potential of the country was estimated at about 1,50,000 MW. The hydropower installed capacity at the end of the Tenth Five Year Plan was 34,653.77 MW. Anticipated hydropower capacity addition during the 11th, 12th, 13th, and 14th Five Year Plans is projected below:

Plan Period	Hydropower Capacity Addition (MW)	Total Hydropower Capacity at the end of plan (MW)
11 th Plan (2007-08 to 2011-12)	15,627*	50,280*
12 th Plan (2012-13 to 2016-17)	30,000	81,207
13 th Plan (2017-18 to 2021-22)	31,000	112,207
14 th Plan (2022-23 to 2026-27)	36,494	148,701

Sources: *Hydro Power Policy, MoP, 2008*

* CEA Report titled "Power Scenario at a glance for all India" dated June 2008

It is expected that by the end of the 14th Five Year Plan, the entire feasible hydropower potential in India would be tapped.

Three-stage process for setting up hydropower projects

The GoI recently introduced a three-stage process for the development of new hydroelectric projects in the central sector. The new stage-driven process aims to reduce the time and cost overruns of hydroelectric projects, which have largely taken place as a result of hasty investigation of potential project sites and unavailability of proper infrastructure in terms of access roads and land. The three stages of the new process are as follows:

Stage I: Survey and investigation of project site, and preparation of pre-feasibility report;

Stage II: Detailed investigation, preparation of a DPR and pre-construction activity including land acquisition; and

Stage III: Execution of the project after investment decision through PIB/CCEA.

The MoP has been authorized to sanction the expenditure of Rs. 10 crore on the survey and investigation of project sites and the preparation of feasibility reports (Stage-I activities) for new hydroelectric projects.

Expenditures of up to Rs. 50 crore may be incurred on the preparation of a DPR, pre-construction activities and land acquisition (Stage-II activities). Such expenditures are subject to review and approval by a Committee of PIB based on the site clearance from the MoEF and after the commercial viability of the project has been established. Proposals involving expenditures above Rs. 50 crore would require the approval of PIB/CCEA.

Revised EIA rules

The MoEF has issued a revised Environment Impact Assessment (“EIA”) notification dated September 14, 2006, in an effort to speed up the process of getting environmental clearance in respect of hydroelectric projects. Under the revised notification, the MoEF grants the final environmental clearance after considering the environmental proposal, the EIA report and the public hearing report. For details, see “*Regulations and Policies in India*” on page 103.

Proposed CERC regulations

The CERC is also in the process of amending tariff regulations for developers of hydroelectric projects. The CERC is considering various approaches for tariff determination from the next tariff period commencing on April 1, 2009. In addition, the treatment of depreciation, capital costs and interest on working capital is under consideration by the CERC.

Provisions for Mega Power Projects

The threshold limit to obtain mega power project status is 500 MW for hydropower projects. This threshold has been reduced to 350 MW for projects located in Jammu & Kashmir, Sikkim and the North Eastern States. The developers of mega power projects receive a number of incentives, including a ten year income tax holiday and duty-free import of capital equipment. The State governments have also been requested to exempt supplies made to mega power plants from sales tax and local levies. These measures are intended to help in generating more hydroelectricity while the economies of scale in mega power projects will substantially bring down power tariffs.

Hydro Power Policy 2008

The Hydro Power Policy of 2008 lays emphasis on increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of independent power producer (“IPP”) model besides promoting power trading and speeding up the availability of statutory clearances. For details, see “*Regulations and Policies in India*” on page 103.

Import Policy for Enhancing Hydropower Utilisation

India faces acute peak power shortages. To bridge this demand-supply gap, the GoI is considering a power import policy to regulate power imports from neighboring countries. According to estimates, Bhutan, Nepal and Myanmar have a combined hydropower potential of about 1,40,000 MW, of which around 3,000 MW has been exploited as of December 31, 2007. India has provided financial and technological assistance to Nepal and Bhutan in the past and various hydroelectric projects have been completed in collaboration with India.

Apart from these measures, the GoI has introduced several initiatives through the Electricity Act, 2003, the National Water Policy, 2002, the National Electricity Policy, 2005, and the National Rehabilitation and Resettlement Policy, 2007, which seek to encourage hydropower development. For details, see ***“Regulations and Policies in India”*** on page 103.

OUR BUSINESS

Overview

We are a hydroelectric power generating company dedicated to the planning, development and implementation of an integrated and efficient network of hydroelectric projects in India. We execute all aspects of the development of hydroelectric projects, from concept to commissioning.

We have developed and constructed 13 hydroelectric power stations and our total installed capacity is currently 5,175 MW. This includes two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company generated 14,813.16 MUs of electricity in Fiscal 2008.

Presently we are engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. Further eight projects, including one joint venture project, with an anticipated capacity of 5,751 MW, are currently awaiting sanction from the CCEA. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with State governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, our Subsidiary was incorporated on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada basin. In addition, in September 2007 we signed an MoU in connection with the establishment of a joint venture with the government of Manipur and in June 2007 we entered into an MoU with the government of Arunachal Pradesh. Further, we are in the process of negotiating another MoU with the government of Jammu & Kashmir to develop and undertake a number of hydroelectric projects in that State. For further information, see *“History and Certain Corporate Matters”* on page 113. We also provide contract-based technical, management advisory and consultancy services in the domestic and international markets.

We have significant experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design through to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis.

Based on our Restated Consolidated Financial Statements, in Fiscals 2006, 2007 and 2008 we generated total income of Rs. 2,371.11 crore, Rs. 2,682.67 crore and Rs. 3,675.61 crore, respectively, and net profit of Rs. 879.29 crore, Rs. 1,068.07 crore and Rs. 1,232.31 crore, respectively. In Fiscal 2008, our average selling price of electricity was Rs. 1.80 per unit. In Fiscal 2008, we derived Rs. 2,958.20 crore, or 99.75% of our restated consolidated revenues, from sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for Fiscal 2006, 2007 and 2008 were 98.16%, 94.11% and 96.13% respectively. These indices are higher than the average capacity index levels required under CERC regulations and our higher efficiency parameters entitle us to certain incentive payments.

We have obtained ISO 18001:2000, ISO 9001:2000 and ISO 14001:2004 certifications from the Bureau of Indian Standards, respectively. In recognition of our performance and our consistent achievement of targets as negotiated under the MoU that we enter into with the GoI on an annual basis, the GoI has rated our performance as “Excellent” from Fiscal 1994 through to Fiscal 2006 and “Very Good” in Fiscal 2007. Also in recognition of our performance, we were designated as a Mini-Ratna Category-I public sector undertaking in April 2008. As a Mini-Ratna Category-I entity, we will have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI. In addition, Fitch has rated our long-term foreign currency issuer default rating at BBB- with stable outlook, which is at par with the sovereign rating, and has rated our domestic long-term and short-term borrowings at AAA with stable outlook and F1+, respectively. Furthermore, Standard & Poor’s has given our Company a corporate credit rating of BBB-/Stable/NR.

The President of India, including through nominees, currently holds 100% of the issued and paid-up Equity Share capital of our Company. After the Issue, the President of India will continue to hold 86.36% of the post-Issue paid-up Equity Share capital of our Company. Under our Articles of Association, the GoI has the power to appoint all of our Directors.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Established track record in implementing hydroelectric projects

We have extensive experience in the development and execution of hydroelectric projects. We have successfully managed the development and implementation of 13 hydroelectric projects, including two through our Subsidiary, NHDC. We have a record of successfully completing projects that are located in geo-technically sensitive Himalayan terrain in inhospitable areas that are often difficult to access. We have a track record of efficient project management, having completed the Chamara-II and Dhauliganga-I power stations and the Indira Sagar and Omkareshwar projects ahead of schedule. We have successfully worked with the GoI, various State governments, foreign governments and international companies to complete projects. Our reputation as a successful and efficient project manager is a key advantage for securing projects. We also believe that our execution model for projects, benefits from our cost control and risk management expertise. We believe that our experience and expertise in project implementation provide us with significant competitive advantages.

Long-term power purchase agreements with our customers

As of March 31, 2008, most of the output from our installed capacity was contracted for through long term Power Purchase Agreements (“PPAs”). In Fiscal 2008, we derived Rs. 2,958.20 crore, or 99.75% of our restated consolidated revenues, from sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. These billings to state entities are currently secured through letters of credit pursuant to tripartite agreements entered into among the GoI, the RBI and respective State governments. In addition, we can secure payment by regulating the power supply to the defaulting entity or recovering payments directly through the GoI that are funded from the Central Plan assistance given to the concerned State governments. At the time we make investment decisions on new capacity or expansion of existing capacity we typically have commitments for the purchase of the output.

Strong operating performance

We measure our efficiency by reference to our average capacity index and generation targets achieved. In Fiscal 2008, our average capacity index was 96.13%, which is higher than the capacity index levels required by the CERC and entitles us to certain incentives. In Fiscal 2008, our Company generated a total of 14,813.16 MUs. We extensively monitor and systematically renovate and modernize our power stations, which increases the efficiency of our plants and equipment. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Competent and committed workforce

We have a competent and committed workforce. Our senior executives have extensive experience in our industry and many of them have been with us for a significant portion of their careers. We believe that the skill, industry knowledge and operating experience of our senior executives provide us with a significant competitive advantage as we seek to expand in our existing markets and successfully enter new geographic areas. We had a low staff turnover of 2.28% in Fiscal 2008, excluding deputationists. We invest significant resources in employee training and development. In addition our uniform operational systems, processes and staff training procedures enable us to replicate our high operating standards across all our projects and stations.

Strong in-house design and engineering team

We have an in-house team for project design and our engineering capabilities range from the concept stage to the commissioning of our projects. This team is supported by international and domestic project consultants. As of July 31, 2008, our Company had 1,254 in-house engineers with expertise in a range of engineering disciplines, particularly hydrology, electrical, civil and structural design, hydro-mechanical and geotechnical design. Our engineers have specialized tunnel design experience and are able to design for variable and unpredictable geological conditions. Our engineers have experience with a variety of specialized analysis, design and computer aided design (“CAD”) software applications and their innovative and fully-integrated approach brings a full complement of skills and knowledge to provide solutions to any given design problem.

Our Strategy

Our corporate vision is to become a world class, diversified and transnational organization for sustainable development of hydropower and water resources with an environmental conscience. The following are our strategies to achieve this vision:

Expand our installed capacity through Joint Ventures and MoUs

We seek to expand our installed capacity by tapping into new markets with significant potential demand for capacity expansion through hydroelectric generation. Presently we are engaged in the construction of 11 hydroelectric projects in the States of Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Assam and West Bengal, which is expected to increase our total installed capacity by 4,622 MW. Further eight projects, including one joint venture project, with an anticipated capacity of 5,751 MW, are currently awaiting sanction from the CCEA. Survey and investigation works are being carried out for preparation of project proposal reports for nine additional projects, totaling 7,255 MW of capacity.

We selectively form alliances with State governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, our Subsidiary, NHDC, was incorporated on August 1, 2000 to exploit the hydroelectric potential of the Narmada basin. NHDC has been involved in the construction and operation of two projects with a combined capacity of 1,520 MW. In addition, in September 2007 we signed an MoU to form a joint venture with the government of Manipur and in June 2007 we entered into an MoU with the government of Arunachal Pradesh. Further, we are in the process of negotiating another MoU with the government of Jammu & Kashmir to undertake a number of hydroelectric development projects in the state.

Promote and develop our consulting and advisory services

We aim to continue to deliver advisory services to clients and government entities in India and abroad. Our consultancy services are registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission. Historically, we have undertaken international projects and consultancy assignments on an agency basis, often on the request of the GoI. However, going forward, we intend to promote our consultancy services and take advantage of opportunities emerging from changes in the industry due to the enactment of the Electricity Act, the Hydro Power Policy 2008, and other regulatory developments.

Continue to expand our international activities

We have executed hydropower projects in Kurichu in Bhutan and Devighat in Nepal, on a contract agency basis. In addition, we have recently prepared and submitted a detailed project report to the Department of Energy, Royal Government of Bhutan, for a 672 MW hydropower project in Mangdechhu in Bhutan. Further, we are currently in discussions with the Department of Hydro Power Implementation of the Ministry of Electric Power, Union of Myanmar in connection with an MoU relating to a study of a master plan for hydropower development of the Chindwin river basin and reviewing the DPR's for the Tamanthi hydroelectric project (1200 MW) and the Shwzaye hydroelectric project (600 MW). We intend to continue to expand our international operations and further exploit the hydropower potential available internationally by leveraging our existing relationships developed through our past international consultancy assignments.

Maintain our focus and leadership in environmental and corporate social responsibility

We have undertaken a variety of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in accordance with the highest standards of social responsibility, sustainable development and respect towards the environment. We also support initiatives to advance the economic, cultural and social interests of the communities of the areas in which we operate and contribute effectively to their further development. We are a member of the Global Compact Society, formed and registered in 2003 by certain Indian companies and organisations that had participated in the United Nations Global Compact Programme. The Global Compact Society is a nodal agency committed to corporate social responsibility and to the United Nation's Global Compact principles. We have also been awarded the Greentech Award for Environmental Excellence in 2008 by the Greentech Foundation, India. For further information, see *"History and Certain Corporate Matters"* on page 113.

Invest in technology to modernize our operations and improve our project operating performance

We intend to reduce our operating costs and improve our project-operating performance by investing in technologically advanced equipment and methods and by devoting significant resources to

modernize our power stations. We are in advanced stages of implementing the specialized enterprise resource planning software developed for us by IFS Solutions India Private Limited. This is expected to expedite information sharing and efficiency within the organization. In respect of our power stations, we believe that our focus on modernizing and maintaining our stations will increase their useful life, improve their efficiency and operating performance and reduce capital expenditure. We also intend to implement advanced maintenance practices. In addition, we intend to adopt front line technologies to reduce cost and time of construction of our hydroelectric projects. For example, we have implemented a technology for the real-time on-line monitoring of generation equipment, which allows early diagnosis of any developing faults.

Our Operations by Segment

Our core business is the generation and sale of hydroelectricity. We also provide contract-based services including technical, management advisory, consultancy services as well as project execution on contract basis. The table below shows our total restated consolidated income by business segment:

Total restated consolidated income by business segment

<i>(Rs. in crore)</i>			
Power Station	Fiscal 2008	Fiscal 2007	Fiscal 2006
Sale of Energy (Net)	2,908.20	2,243.60	2,024.20
Contracts & Consultancy	326.49	128.75	48.41
Interest on Power Bonds and Long Term Advances	209.22	234.08	239.54
Other Income	231.70	76.24	58.96
Total	3,675.61	2,682.67	2,371.11

Our Hydropower Generation Business

Our core business operations involve the generation and sale of hydroelectricity. Our projects are spread across different stages of development from the early stages of survey and investigation to operation and maintenance. The table below shows the current status of our projects and includes one joint venture project:

Project Phase	No. of Projects	Capacity (In MW)
Operations & Maintenance	13	5,175
Construction	11	4,622
Awaiting Approvals & Clearances	8	5,751
Survey & Investigation	9	7,255
Total	41	22,803

Our Project Development Process

The GoI and State government identify the geographic areas where additional electricity is needed by determining existing installed capacity and projected demand for electricity. Factors such as economic growth, population growth and industrial expansion are used, to determine projected demand. To gauge the expected supply of electricity, the capacities of the existing power stations and the projects under construction or development are studied. If the GoI and the respective State government agree that a hydroelectric project is necessary, and that we are the most appropriate organization to develop the hydroelectric project, we then enter into an MoU or agreement with the concerned State government where the hydroelectric project is proposed to be located. We then proceed to obtain the necessary authorizations for the hydroelectric project from the concerned

authorities. We are required to fulfill a three-stage clearance process for hydroelectric projects as introduced by the GoI in July 2001. This process consists of:

Stage-I: Preparation of Pre-Feasibility Report/Feasibility Report

The Stage-I estimate is initially reviewed by the CEA and approved by the MoP, subsequently environmental clearance for the pre-construction activities and approval of the terms of reference for undertaking the EIA studies is then obtained from the MoEF. Survey and investigation activities are then carried out in order to prepare a pre-feasibility report, which sets out essential geological, hydrological, meteorological and topographical observations. The report contains technical details, justification of the scheme and preliminary financial details of the project. The CEA then reviews the report and makes a determination about the commercial viability of the projects.

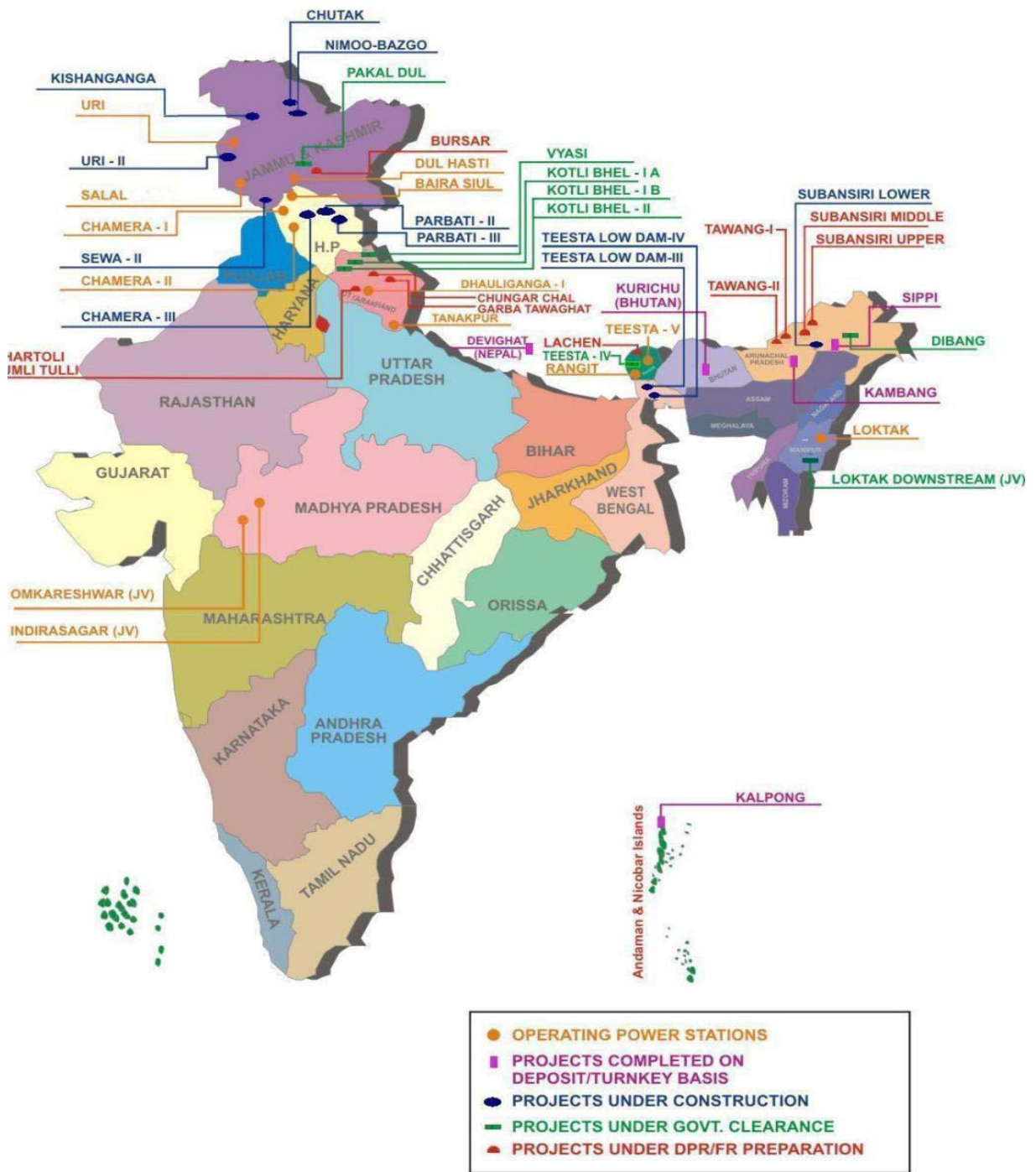
Stage-II: Preparation of Detailed Project Report and Infrastructure Development Works

Following the approval of the Stage-I estimate by the MoP and the commercial viability clearance from the CEA we carry out extensive survey and investigation in order to prepare a detailed project report (“**DPR**”). The DPR is examined in detail by various agencies, including the Geological Survey of India, the Central Water Commission, the Ministry of Water Resources and the Ministry of Defense. During this stage EIA reports are also prepared and submitted to the requisite State government to enable them to conduct a public hearing and consult with local communities to determine a suitable rehabilitation and resettlement package, if required. At this stage the environmental impact report and forest land requirement are also submitted to the MoEF for clearance. The CEA reviews the DPR and various clearances obtained from the above mentioned agencies and, if satisfied, the CEA approves the hydroelectric project.

Stage-III: Final sanction and project construction

Post the CEA approval, and after obtaining a recommendation from the Public Investment Board (“**PIB**”), GoI, the hydroelectric project proposal is presented to the Cabinet Committee on Economic Affairs (“**CCEA**”) for its final sanction. It is only after receiving the sanction of the CCEA that major works related to construction of the project are awarded and construction can begin at the project site.

The map below shows the locations of our existing power stations, as well as our hydroelectric projects under construction and development.



**The above map is not to scale*

Completed Projects

We have set forth below the details of all our completed projects, including joint venture project:

(Rs. in crore)

Power Station	State	Installed Capacity (MW)	Year of Commissioning	Revenue Generated in Fiscal 2008 (Rs. In crore)
Baira Siul	Himachal Pradesh	180	1981	60.15
Loktak	Manipur	105 ⁽¹⁾	1983	58.53
Salal	Jammu & Kashmir	690	1987/1996	223.27
Tanakpur	Uttarakhand	120 ⁽²⁾	1992	49.64
Chamera I	Himachal Pradesh	540	1994	304.07
Uri I	Jammu & Kashmir	480	1997	367.21
Rangit	Sikkim	60	1999	53.79
Chamera II	Himachal Pradesh	300	2004	323.55
Dhauliganga I	Uttarakhand	280	2005	202.16
Dulhasti	Jammu & Kashmir	390	2007	577.99
Teesta V	Sikkim	510	2008	6.74
Total		3,655		2,227.10
<i>Completed Projects with NHDC</i>				
Indira Sagar	Madhya Pradesh	1,000	2005	536.90
Omkareshwar	Madhya Pradesh	520	2007	144.20
Total		1,520		681.10

(1) Derated to 90 MW until January 2010.

(2) Derated to 94.2 MW from September 1996.

Baira Siul Power Station (3x60 MW), Himachal Pradesh

Our Baira Siul power station is located in Chamba district, Himachal Pradesh. The project is an RoR scheme that utilises the combined flow of the three tributaries of the Ravi river – Baira, Siul and Bhalehdh. The GoI transferred this project to us on January 21, 1978. Two units were commissioned in May 1980 and the third in September 1981. Commercial generation started in April 1982. The installed capacity of the power station is 180 MW (3x60 MW) and the annual design energy generation from the power station in a 90% dependable year is 779.28 MUs.

Loktak Power Station (3x35 MW), Manipur

Our Loktak power station is located on Loktak lake, south of Imphal in the State of Manipur. We assumed control of this project in January 1977. The project was commissioned in April 1983 and commercial generation started in June 1983. It is a storage scheme generating with an installed capacity 105 MW of power. The the three units (3x35 MW) of the power station namely Unit I, Unit II and Unit III have been temporarily derated at our request by the CEA until December 31, 2008; March 31, 2009 and November 30, 2009 respectively to 90 MW (3x30 MW) by way of its letter no. CEA/PLG/DM/545(Derating)/Loktak/2008 dated July 3, 2008. This derating was due to a lack of capacity of the turbines, which are currently being renovated. The annual design energy generation from the power station in a 90% dependable year is 448 MUs.

Salal Power Station (6x115 MW), Jammu & Kashmir

Our Salal power station is located on the River Chenab in Udhampur, Jammu & Kashmir. We assumed control of this project in May 1978. The project was commissioned in two stages (Salal I and Salal II). Salal I was commissioned in November 1987 and started commercial generation in the

same month. The three units of Salal II project were commissioned in June 1993, March 1994 and February 1995 respectively, making use of the tailrace tunnel of Salal I. The second tailrace tunnel was completed in July 1996. The Salal II project was commissioned in 1996. The project is an RoR scheme with total installed capacity of 690 MW (6x115 MW). The annual design energy generation from the power station is 3,082 MU in a 90% dependable year.

Tanakpur Power Station (3x40 MW), Uttarakhand

Our Tanakpur power station is located on River Sarda in Udham Singh Nagar district, Uttarakhand. The project was completed in March 1992 and started commercial production in April 1993. The power station is an RoR scheme with total installed capacity of 120 MW (3x40 MW). The power station has been derated pursuant to the CEA's notification dated September 20, 1996, to 94.2 MW (3x31.4 MW) due to a change in the pond level of the barrage. The annual design energy generation from the power station in a 90% dependable year is 452.19 MUs.

Chamera I Power Station (3x180 MW), Himachal Pradesh

Our Chamera I power station is located on River Ravi in the Chamba district, Himachal Pradesh. The project was commissioned in April 1994 and started commercial production in May 1994. This is an RoR scheme with diurnal storage for peaking during the dry season, which has total installed capacity of 540 MW (3x180 MW). The annual design energy generation from the power station in a 90% dependable year is 1,664.55 MUs.

Uri I Power Station (4x120 MW), Jammu & Kashmir

Our Uri I power station is located in Baramulla district, Jammu & Kashmir. The project was commissioned in January 1997 and the power station started commercial production in June 1997. It is an RoR scheme that utilizes the tail waters of the existing Lower Jhelum hydroelectric project for power generation. The total installed capacity of the power station is 480 MW (4x120 MW) and the annual design energy generation in a 90% dependable year is 2,587.38 MUs.

Rangit Power Station (3x20 MW), Sikkim

Our Rangit power station is located on the River Rangit in Sikkim. The project was completed in December 1999 and commercial generation started in February 2000. This is an RoR scheme with pondage, with a total installed capacity of 60 MW (3x20 MW). The annual design energy generation in a 90% dependable year is 338.61 MUs.

Chamera II Power Station (3x100 MW), Himachal Pradesh

Our Chamera II power station was constructed on the River Ravi and is located in the Chamba District of Himachal Pradesh. The project was commissioned in March 2004. It is a RoR scheme with pondage, which has total installed capacity of 300 MW (3x100 MW). It is an upstream development of Chamera Stage I (540 MW) commissioned by us in April 1994. The annual design energy generation in a 90% dependable year is 1499.89 MUs.

Dhauliganga I Power Station (4x70 MW), Uttarakhand

Our Dhauliganga I power station has been constructed on the River Dhauliganga, a tributary of the Sharda River in the Pithoragarh district of Uttarakhand. The project was commissioned in October 2005. The power station is a run-of-the river scheme with pondage, which has total installed capacity

of 280 MW (4x70 MW). The annual design energy generation in a 90% dependable year is 1,134.7 MUs.

Dulhasti Power Station (390 MW), Jammu & Kashmir

Our Dulhasti power station is situated in the state of Jammu & Kashmir. It has a capacity of 390 MW. The project was completed in 2007 and started commercial production in March 2007. The project is a RoR scheme with pondage on the River Chandrabhaga, a tributary of the River Chenab. The annual design energy generation in a 90% dependable year is 1,928 MUs of power. Commercial production from this station began on April 7, 2007.

Teesta V Power Station (510 MW), Sikkim

The Teesta V power station is one of six hydropower schemes in a cascade on the River Teesta in the East Sikkim district. The project is a RoR project with diurnal storage for peaking during the dry season. The project was completed in 2008 and started commercial production in March 2008. The annual design energy generation in a 90% dependable year is 2,573 MUs of power.

Indira Sagar Power Station (8x125 MW), Madhya Pradesh

Indira Sagar power station, under our joint venture with Madhya Pradesh government, is situated on the River Narmada. This power station has an installed capacity of 1,000 MW, and annually generates 2,698 MUs in stage I, 1,850 MUs in stage II and 1,515 MUs in stage III. Our Indira Sagar project includes the largest reservoir in India having a gross storage capacity of 12.22 Bm³. The project has eight turbines of 125 MW each with an installed power generation capacity of 1,000 MW of electricity.

Omkareshwar Power Station (8x65 MW), Madhya Pradesh

The Omkareshwar power station, under our joint venture with Madhya Pradesh government, has an installed capacity of 520 MW (8 x 65 MW) and is situated 60 km downstream from our Indira Sagar Project on the River Narmada in the Khandwa district of Madhya Pradesh. This project has a designed annual energy generation of 1,166 MUs in its initial stage. Commercial production from this station began in November 2007.

Projects under construction

We have set forth below the details of all our hydroelectric projects, which are currently under construction:

Hydroelectric Projects	State	Proposed Installed Capacity (MW)	Project Cost (Rs. in crore)	Likely Schedule of Commissioning
Sewa II	Jammu & Kashmir	120	665.46	June 2009
Teesta Low Dam III	West Bengal	132	768.92	December 2009
Uri II ⁽¹⁾	Jammu & Kashmir	240	1,724.79	August 2010
Chamera III ⁽¹⁾	Himachal Pradesh	231	1,405.63	August 2010
Teesta Low Dam IV ⁽¹⁾	West Bengal	160	1,061.38	August 2010

Hydroelectric Projects	State	Proposed Installed Capacity (MW)	Project Cost (Rs. in crore)	Likely Schedule of Commissioning
Nimoo Bazgo ⁽¹⁾	Jammu & Kashmir	45	611.01	August 2010
Parbati III ⁽¹⁾	Himachal Pradesh	520	2,304.56	November 2010
Parbati II	Himachal Pradesh	800	3,919.59	December 2010
Chutak ⁽¹⁾	Jammu & Kashmir	44	621.26	February, 2011
Subansiri Lower ⁽¹⁾	Assam/Arunachal Pradesh	2,000	6,285.33	January 2012
Kishanganga ⁽²⁾	Jammu & Kashmir	330	3,633.53	July 2014
Total		4,622	23,001.46	

(1) Funds from the Issue will be utilised for the construction of each of these projects – see “**Objects of the Issue**”.

(2) The commissioning date and cost are subject to revised CCEA clearance.

Sewa II Hydroelectric project (120 MW), Jammu & Kashmir

Our Sewa II hydroelectric project is a RoR scheme with an expected capacity of 120 MW. We anticipate that this project will generate 535 MUs annually in a 90% dependable year. We anticipate that the project will commence operations on June 2009. The approved budget for the project is approximately Rs. 133 crore for Fiscal 2009.

Teesta Low Dam III Hydroelectric project (132 MW), West Bengal

We took control of the Teesta Low Dam III hydroelectric project in November 2000. The project is located on the River Teesta in the district of Darjeeling in the state of West Bengal. We anticipate that the project will generate 594.42 MUs annually in a 90% dependable year. The project is expected to commence operations in December 2009. The approved budget for the project is approximately Rs. 249 crore for Fiscal 2009.

Uri II Hydroelectric project (240 MW), Jammu & Kashmir

Our Uri II hydroelectric project is located in the Uri Tehsil of the Baramulla district. We estimate this project will generate 1,370 MUs of energy in a 90% dependable year. This project is scheduled for completion by August 2010. The approved budget for the project is approximately Rs. 480 crore for Fiscal 2009.

Chamera III Hydroelectric project (231 MW), Himachal Pradesh

Our Chamera III hydroelectric project is situated in the Chamba district in the state of Himachal Pradesh. This project is situated in the lower Himalayan region and it is being constructed in the Chamba metamorphic rock formation on the River Ravi. We anticipate that this project will provide 231 MW capacity and generate 1,108.17 MUs annually in a 90% dependable year. This project is scheduled to commence operations by October 2010. The approved budget for the project is approximately Rs. 260 crore for the Fiscal 2009.

Teesta Low Dam IV Hydroelectric project (160 MW), West Bengal

Teesta Low Dam IV hydroelectric project is located in the district of Darjeeling in the state of West Bengal. Our project is a RoR scheme with storage for peaking purpose. We estimate our annual energy generation will be 720 MUs in a 90% dependable year. We anticipate that the project will be completed in August 2010. The approved budget for the project is approximately Rs. 324 crore for Fiscal 2009.

Nimoo Bazgo Hydroelectric project (45 MW), Jammu & Kashmir

Our Nimoo Bazgo project is a run-of-the-river scheme to harness the hydropower potential of River Indus in the Leh district of Jammu & Kashmir. We anticipate that the project will generate 239 MUs in a 90% dependable year. We anticipate that the project will be completed in August 2010. The approved budget for the project is approximately Rs. 164 crore for Fiscal 2009.

Parbati III Hydroelectric project (520 MW), Himachal Pradesh

Our Parbati hydroelectric project is located in the Kullu district in the state of Himachal Pradesh. It is a run-of-the-river scheme. We anticipate that the project will generate 1,977.23 MUs of energy in a 90% dependable year. We anticipate that the project will be completed by November 2010. The approved budget for the project is approximately Rs. 305 crore for Fiscal 2009.

Parbati II Hydroelectric project (800 MW), Himachal Pradesh

The Parbati II hydroelectric project is a run-of-the-river scheme on the River Parbati. It is anticipated that the project will generate 3,108.66 MUs of energy in a 90% dependable year. We anticipate that the project will commence operations in December 2010. The approved budget for the project is approximately Rs. 484 crore for Fiscal 2009.

Chutak Hydroelectric project (44 MW), Jammu & Kashmir

Our Chutak hydroelectric project is intended to harness the hydropower potential of the River Suru in the Kargil district of the state of Jammu & Kashmir. We expect this project will generate 212.93 MUs in a 90% dependable year. The project is scheduled for completion in February 2011. The approved budget for the project is approximately Rs. 96 crore for Fiscal 2009.

Subansiri Lower Hydroelectric project (2,000 MW)

Our Subansiri Lower hydroelectric project is the biggest hydroelectric project being undertaken in India to date. It is a run-of-the-river scheme on the Subansiri River. This project is located near north Lakhimpur on the border of Assam and Arunachal Pradesh. We estimate that the annual energy generation from this project will be 7,421 MUs in a 90% dependable year. We anticipate that this project will commence operations in January 2012. The approved budget for the project is approximately Rs. 714 crore for Fiscal 2009.

Kishanganga Hydroelectric project (330MW), Jammu & Kashmir

The Kishanganga hydroelectric project is located on the Kishanganga River and was initially being constructed by the State government of Jammu & Kashmir and was subsequently transferred to us for implementation. Activities such as infrastructure development and excavation of certain portions of the diversion tunnel are underway. The project is scheduled for completion in July 2014. The approved budget for the project is Rs. 281 crore for Fiscal 2009.

Projects Awaiting Clearances

The hydroelectric projects including our joint venture project detailed below are awaiting final sanction from the CCEA:

Projects	State	Proposed Installed Capacity (MW)
Kotli Bhel IA*	Uttarakhand	195
Kotli Bhel IB**	Uttarakhand	320
Kotli Bhel II***	Uttarakhand	530
Dibang	Arunachal Pradesh	3,000
Teesta IV	Sikkim	520
Pakal Dul****	Jammu & Kashmir	1,000
Vyasi	Uttarakhand	120
Total		5,685
Joint Venture Projects		
Loktak Downstream	Manipur	66
Grand Total		5,751

* Our Company is required to obtain clearance from the Ministry of Water Resources as the project is located on the Bhagirathi River between India and Bangladesh.

** Our Company is required to obtain clearance from the Ministry of Water Resources as the project is located on the Bhagirathi River between India and Bangladesh.

*** Our Company is required to obtain the clearance of MoEF and the State Pollution Control Board after proper public hearing.

**** Our Company is required to obtain approval from the Supreme Court for executing the project as it lies in the Kishtwar High Altitude National Park.

The current status of these projects is detailed below:

Kotli Bhel IA Hydroelectric Project (195 MW), Uttarakhand

The agreement with the State government of Uttarakhand for implementation of the Kotli Bhel IA hydroelectric project was entered into on June 8, 2006. The TEC for this project was granted on October 3, 2006 by the CEA. The PIB recommended the project for investment sanction on February 7, 2007. We received the required environmental clearances from the MoEF in respect of this project in May 2007 and are awaiting the CCEA clearance. The approved budget for the project is approximately Rs. 150 crore for Fiscal 2009.

Kotli Bhel IB Hydroelectric Project (320 MW), Uttarakhand

The agreement with the State government of Uttarakhand for implementation of this project was entered into on June 8, 2006. The TEC for this project was granted on October 31, 2006 by the CEA. The PIB recommended the project for investment sanction on February 7, 2007. We received the required environmental clearances from the MoEF in respect of this project in August 2007 and are awaiting the CCEA clearance. The approved budget for the project is approximately Rs. 150 crore for Fiscal 2009.

Kotli Bhel II Hydroelectric Project (530 MW), Uttarakhand

The agreement with the State government of Uttarakhand for implementation of the project was entered into on June 8, 2006. The TEC for this project was granted on November 30, 2006 by the CEA. The PIB recommended the project for investment sanction on May 15, 2007. We received the required environmental clearances from the MoEF in respect of this project in August 2007 and are awaiting CCEA clearance. The approved budget for the project is approximately Rs. 201 crore for Fiscal 2009.

Dibang Hydroelectric Project (3,000 MW), Arunachal Pradesh

The Company entered into an MoU on June 24, 2007 to execute this project on an own and operate basis, which supersedes the MoU signed earlier on September 21, 2006 with the State government of Arunachal Pradesh for the implementation of this project as a joint venture with the State government of Arunachal Pradesh. The TEC for this project was granted on January 23, 2008 by the CEA. The PIB recommended the project for investment sanction on February 28, 2008 and we are awaiting CCEA clearance. EIA and EMP studies have been finalized and submitted to the State Pollution Control Board. The public consultation process for this project is currently underway.

The approved budget for the project is approximately Rs. 76 crore for Fiscal 2009.

Teesta IV Hydroelectric Project (520 MW), Sikkim

We entered into an agreement for the implementation of the project with the State government of Sikkim on March 1, 2006. Site clearance for stage I and II activities was granted by the MoEF on October 6, 2005. We submitted a DPR for the project to the CEA on March 31, 2008 for approval. EIA studies were approved on January 30, 2006 and are currently being carried out. The approved budget for the project is approximately Rs. 7 crore for Fiscal 2009.

Loktak Downstream Hydroelectric Project (66 MW), Manipur

The Loktak Downstream hydroelectric project is being implemented through a joint venture with the State government of Manipur. The TEC approval for this project was granted on November 15, 2006 by the CEA. The PIB recommended the project for investment sanction on November 23, 2006 and the clearance for pre-construction activities and the terms of reference for undertaking the EIA studies has been given by MoEF on April 20, 2007. The EIA EMP studies have been approved on April 8, 2008. The public consultation process for this project is currently underway. The approved budget for the project is approximately Rs. 10 crore for Fiscal 2009.

Pakal Dul Hydroelectric Project (1,000 MW), Jammu & Kashmir

We received TEA approval for this project on October 3, 2006 and the MoWR gave its clearance to the project on March 23, 2006. The EIA and EMP studies for the project were awarded in July 2005 and are being finalized. The MoEF accepted the environmental clearance of the project in February 2008. The approved budget for the project is approximately Rs. 50 crore for Fiscal 2009.

Vyasi Hydroelectric Project (120 MW), Uttarakhand

The project was initially to be developed as the Lakhwar Vyasi project, with a proposed capacity of 420 MW to be undertaken by the State government of Uttar Pradesh in the late 1980's. The Vyasi project was subsequently transferred to us in the year 2003. The CEA clearance for the 420 MW Lakhwar Vyasi project was pending subject to consent from State governments of Delhi and Uttar Pradesh. These consents have not yet been received due to a dispute between the State governments on sharing of costs towards water and irrigation. Further to the directions of the MoP, the Company had prepared a standalone DPR for a 120 MW project on the Vyasi River, which would come under the purview of Uttarakhand State government. The 120 MW Vyasi project on the Vyasi River was being reviewed by the CEA. EIA studies of the standalone Vyasi hydroelectric project have been completed. The approved budget for the standalone Vyasi hydroelectric project is approximately Rs. 40 crore for Fiscal 2009. However, the Vyasi hydroelectric project has been put on hold because of the allocation of the Lakhwar Vyasi project in Uttarakhand by the government of Uttarakhand to the

Uttarakhand Jal Vidyut Nigam Limited. For further details, see “*Risk Factors - We may not be able to develop the Vyasi Hydroelectric Project, which may affect the business and financial condition of our Company*” on page xx.

Projects under Survey and Investigation

The following hydroelectric projects are under survey and investigation for preparation of a DPR:

Project	State	Proposed Installed Capacity (MW)	Status
Karmoli Lumti Tulli	Uttarakhand	55	Memorandum of Agreement signed on November 21, 2005 with State government.
Garba Tawaghat	Uttarakhand	630	Memorandum of Agreement signed on November 21, 2005 with State government.
Chungar Chal	Uttarakhand	240	Memorandum of Agreement signed on November 21, 2005 with State government. However, our Company is required to take the clearance of the Steering Committee of the Indian Wild Life Board in case the area of the project falls within the Askot Musk Deer Sanctuary.
Lachen	Sikkim	210	Memorandum of Agreement signed on March 1, 2006 with State government.
Tawang I	Arunachal Pradesh	750	Memorandum of Agreement signed on June 24, 2007 with State government.
Tawang II	Arunachal Pradesh	750	Memorandum of Agreement signed on June 24, 2007 with State government.
Subansiri (Middle)	Arunachal Pradesh	1,600	Project currently under consideration of Standing Committee of National Board of Wildlife.
Subansiri (Upper)	Arunachal Pradesh	2,000	Project currently under consideration of Standing Committee of National Board of Wildlife.
Bursar	Jammu & Kashmir	1,020	MoU signed on July 20, 2000 with State government. However, our Company is required to get the approval of the Supreme Court before executing the project since it is located at Kistwar High Altitude National Park, which area has been notified under section 35 of the Wildlife Protection Act, 1972.
Total		7,255	

Karmoli Lumti Tulli Hydroelectric Project (55 MW), Uttarakhand

We entered into an agreement for the implementation of this project with the State government of Uttarakhand on November 21, 2005. We have applied for stage I site clearance which is currently under the consideration of the MoEF.

Garba Tawaghat Hydroelectric Project (630 MW), Uttarakhand

We have entered into an agreement for the implementation of this project with the State government of Uttarakhand on November 21, 2005. Our stage I site clearance is currently being reviewed by the MoEF.

Chungar Chal Hydroelectric Project (240 MW), Uttarakhand

We entered into an agreement for the implementation of this project with the State government of Uttarakhand on November 21, 2005. The site clearance for stage I was granted to us on November 11, 2005. Survey and investigation work for the preparation of the DPR is in progress. The EIA studies were awarded on January 30, 2006 and are currently being carried out.

Lachen Hydroelectric Project (210 MW), Sikkim

We entered into an agreement for the implementation of this project with the State government of Sikkim on March 1, 2006. Site clearance for stage I was granted by the MoEF on February 27, 2006.

Tawang I & II Hydroelectric Project (1,500 MW), Arunachal Pradesh

We have entered into an agreement for the implementation of this project with the State government of Arunachal Pradesh on September 21, 2006 and September 9, 2006, for Tawang I and II, respectively. The environmental clearance for pre-construction activities and terms of reference for undertaking EIA studies was granted by the MoEF on December 8, 2006. Survey and investigation works are currently underway. The approved budget for the Tawang I and Tawang II hydroelectric projects is approximately Rs. 5 crore each for Fiscal 2009.

Subansiri (Middle) (1,600 MW), Arunachal Pradesh

The proposed Subansiri (Middle) Project is located on the River Kamla in Lower Subansiri District of Arunachal Pradesh. The CEA has advised us to prepare a DPR and commence essential infrastructure works, however, survey and investigation works for the preparation of a DPR have been suspended due lack of site clearance for stage-II from the MoEF. The approved budget for the standalone Subansiri (Middle) hydroelectric project is approximately Rs. 1 crore for Fiscal 2009.

Subansiri (Upper) (2,000 MW), Arunachal Pradesh

The proposed Subansiri (Upper) Project is located on the river Subansiri in the Upper Subansiri District of Arunachal Pradesh. The CEA has advised us to prepare a DPR and commence essential infrastructure works, however, survey and investigation works for the preparation of a DPR have been suspended due lack of site clearance stage-II from the MoEF. The approved budget for the standalone Subansiri (Upper) hydroelectric project is approximately Rs. 2 crore for Fiscal 2009.

The project work at Subansiri Upper and Subansiri Middle is pending due to a Supreme Court order, which restrains the construction of dams upstream of the Subansiri Lower project currently under construction. The State government of Arunachal Pradesh appealed against this order and the matter was referred to the Standing Committee of the NBWL. The matter is currently under the consideration of the Standing Committee of NBWL. For further information, see “*Risk Factors*” on page xii.

Bursar Hydroelectric Project (1,020 MW), Jammu & Kashmir

We entered into an agreement for the implementation of this project with the State government of Jammu & Kashmir on July 20, 2000. We are in the process of preparing the DPR for this project. EIA and EMP studies for the project were commenced on July 14, 2005 and are currently underway. The approved budget for the project is approximately Rs. 19 crore for Fiscal 2009.

Joint Ventures

The following are the details of the various projects undertaken by way of joint ventures:

Projects	State	Capacity (MW)	Our stake in Joint Venture	Status
Indira Sagar	Madhya Pradesh	1,000	51%	Commissioned in 2005
Omkareshwar	Madhya Pradesh	520	51%	Commissioned in 2007
Loktak Downstream	Manipur	66	74%	Awaiting clearances

Narmada Hydroelectric Development Corporation

On August 1, 2000, pursuant to an MoU with the government of Madhya Pradesh our Subsidiary, NHDC was incorporated. NHDC is involved in two other hydroelectric projects, namely, the Indira Sagar project (1,000 MW) and Omkareshwar project (520 MW) in the state of Madhya Pradesh, further described above.

According to our restated financial statements, total revenue generated by NHDC for Fiscals 2006, 2007 and 2008 was Rs. 493.71 crore, Rs. 561.26 crore and Rs. 753.18 crore, respectively. The net profit posted by NHDC for Fiscals 2006, 2007 and 2008 was Rs. 264.06 crore, Rs. 260.49 crore and Rs. 356.39 crore, respectively.

Joint Venture with the government of Manipur

In September, 2007, we entered into a joint venture agreement with the Manipur State government for the implementation of the Loktak Downstream hydroelectric project, further described above. We own a 74% stake in the project. The total equity contribution by the Manipur State government and our Company is projected to be Rs. 48.92 crore and Rs. 139.24 crore, respectively. In respect of the power station operated by our joint venture, all output will be supplied to the government of Manipur, at a rate determined by the CERC. The joint venture entity has the flexibility to sell power to other buyers should the government of Manipur renege on its commitments to buy power.

MoU being negotiated with the government of Jammu & Kashmir

We are in the process of negotiating an MoU with government of the State of Jammu & Kashmir to undertake a number of hydroelectric development projects in the state.

Our Consultancy and Agency Business

We believe that our industry leadership as well as quality credentials puts us in a strong position to offer a wide range of consultancy services in the field of hydropower. Our consultancy services

division was set up in 1993 to offer a wide variety of consulting as well as contractual services to meet requirements for different project types, as described below.

According to our Restated Consolidated Financial Statements, the contribution of our consultancy and agency services business to our total income was Rs. 48.41 crore, Rs. 128.75 crore and Rs 326.49 crore, for Fiscals 2006, 2007 and 2008, respectively.

Consulting/Advisory Services for Hydropower Projects

The scope of our services is to provide assistance in planning, design and engineering, survey and analysis, report writing and other affiliated services corresponding to our client's specific needs. These generally include:

- Identification, selection and feasibility of development sites.
- Topographic, hydrographic and quantity surveying of development sites.
- Planning, design and engineering.
- Environmental impact assessment and environmental management.
- Project reports and regulatory clearances.
- Tendering process, from preparation and pre-qualification, through invitation and evaluation of bids, to post-award contract management.
- Planning and management of construction, operation and maintenance; and
- Testing, quality control and assurance.

We also provide specialist consultancy services in relation to tidal, wind and geothermal power projects, training and human resource operations, and IT and communications.

We have completed 63 consulting assignments and as on March 31, 2008 we have 15 ongoing consulting assignments. Some of the projects undertaken in the past by the consultancy division include:

Client	Services Rendered
Sargent & Lundy, USA	Evaluation of existing hydropower plants of Andhra Pradesh generating company
West Bengal Power Development Corporation Limited	Construction management, quality control, and other services for Bakreshwar Thermal Power Project. Additional consultancy services were provided for the construction of a tail channel and electrical workshop.
Damodar Valley Corporation	Preparation of PFR for installation of conventional hydro unit at existing Konar dam of Damodar Valley Corporation in Hazaribagh district, Jharkhand.
Chhatisgarh State Electricity Board	Consultancy services for turnkey execution of Mahanadi Reservoir Projects (4x2.5 MW), Mini Hydro Project (through EPC Contractor) at Gangrel, Dhamtari
Ministry of External Affairs	Preparation of pre-feasibility report for Tamanthi Hydroelectric Project (Stage – I) in Myanmar
PGCIL	Consultancy for design and engineering , supply erection and testing, commissioning of 25 MVAR Shunt Reactor and associated equipments in pot head yard of Dhauliganga hydroelectric project for Power Grid Corporation
Uttarakhand Jal Vidyut Nigam Limited	Consultancy Services for assistance during commissioning of Maneri Bhali – 2 hydroelectric project in Uttarakhand
IFCI Limited and ICICI Bank Limited	Consultancy services for turnkey execution; advising in the capacity of lender's independent engineer in relation to projects financed by IFCI Limited and ICICI Limited

Memorandum of Understanding being negotiated with the Union of Myanmar

We are in the process of negotiating an MoU with the Union of Myanmar to study the master plan for hydropower development of the Chindwin river basin and reviewing the DPR's for the Tamanthi hydroelectric project (1200 MW) and the Shwzaye hydroelectric project (600 MW).

Turnkey Agency Contracts

We act as “general contractor” for projects undertaken on an agency basis. We provide engineering design, equipment procurement and overall supervision during the construction phase of the project. Construction work is generally subcontracted to specialized firms.

Our clients are generally not specialized in power project development and are primarily interested in obtaining the timely delivery of a completed and operational hydropower project without significant involvement on their part. Turnkey agency projects allow our clients to achieve this by contracting us for designing and executing the project within an agreed budget and timetable. We usually guarantee completion by a scheduled acceptance date and/or achievement of a pre-determined performance testing levels. The client usually retains responsibility for obtaining all necessary construction and operating permits and for operating the facility after delivery. Fees for agency projects are negotiated with each client on a case-by-case basis. However, these contracts are generally undertaken on a “cost plus” basis.

We have taken up several international agency contracts under the direction of GoI. These projects are undertaken in the spirit of cooperation with foreign governments and also to broaden our international experience. Status of various turnkey agency projects undertaken by our consultancy services division, include:

Project	Country/State/Union Territory	Installed/Proposed Total Capacity (MW)	Status
Devighat	Nepal	14.10	Commissioned
Kurichu	Bhutan	60.00	Commissioned
Kalpong	India (Andaman & Nicobar Islands)	5.25	Commissioned
Sippi	India (Arunachal Pradesh)	4.00	Under Construction
Kambang	India (Arunachal Pradesh)	6.00	Under Construction
Total		89.35	

Specialized Government Agency Works

We act as an agency for implementation of rural road development and rural electrification programs in India. These projects are usually taken on the request of the GoI for social welfare and development purposes. We earn fixed agency fees, as determined mutually by GoI and our Company.

Our consultancy services registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission and Consultancy Development Centre. We are ISO 9001:2000, ISO 18001:2000 and ISO 14001:2004 certified and our qualified professionals have the expertise, experience and technical proficiency necessary for planning and executing both large and small-scale hydropower projects.

Our clients include central and State government agencies in India including SEBs and PSUs, as well as a number of foreign governments and private sector entities. From a marketing perspective,

consultancy contracts also allow us to establish a relationship with potential future clients and, in the case of project feasibility studies, to become involved at an early stage in turnkey projects for which we may later submit bids.

Some of the projects taken up by our consultancy services business include:

Client	Services Rendered
REC Limited	We implement rural electrification works under the Rajiv Gandhi Grameen Vidyutikaran Yojana (“RGVY”) in various states in India for fixed agency fees of 9-12% on the cost of the project. We have been allocated 27 districts in these States. As of March 31, 2008: ▪ Estimated cost of work to be implemented is Rs. 2,580 crore; ▪ 33 projects, costing Rs. 2,407 crore have been sanctioned; ▪ We have electrified 2,101 villages
Ministry of Rural Development, GoI	We undertake the construction of rural roads in six districts of Bihar under Pradhan Mantri Gram Sadak Yojna (“PMGSY”), for fixed agency fees of 10% on the cost of the project. As of March 31, 2008: ▪ 304 roads of 1,741 km with a cost of Rs. 810.07 crore have been cleared by Ministry of Rural Development, GoI ▪ 47 roads of 297.50 km (full length) with a cost of Rs.110.89 crore have been completed

Construction of Hydropower Projects

Design and engineering

The engineering and design of a hydroelectric project requires input from a number of specialist engineering disciplines, particularly, civil and hydro-mechanical design, geological and geo-technical and electrical and mechanical design.

Civil and hydro- mechanical design

This aspect of the project includes:

- Developing detailed site plans, including the civil works layouts.
- Reviewing hydrological data available and supervising field investigations and hydrological studies.
- Assessing the impact of soil erosion and sediment on the proposed hydroelectric projects.

Geological and geotechnical engineering

The geo-technical engineering process involves the collection of sufficient qualitative and quantitative geological and geotechnical and construction material information to determine basic design parameters for major civil structures of the project. This stage of the project includes:

- Undertaking geological and geotechnical investigations including exploratory drilling, surface mapping, trenching, and pitting, to enable identification of overburden and rock types, determination of condition and strength of materials for design of slope stability, foundation, leakage as required for the size of the structures, and selection of construction materials.

- Undertaking geo-technical design of structures for all stages of the work, an assessment of the seismicity for subprojects to ensure that earthquake effects have been adequately addressed in the design of the structures.
- Assessing the technical risks projects, particularly unknown subsurface conditions associated with foundations and leakage.

Electrical and mechanical design

This involves assessing the electrical and mechanical needs of the project and includes:

- Evolving optimised designs for electro-mechanical works of projects under planning and execution.
- Providing technical data and cost estimates on electrical and mechanical equipment.
- Preparing operation and maintenance manuals for electro-mechanical works.

Contract and construction management

Our role as contract and construction manager is to organize and supervise the construction of the project. We determine the number of contracts that are awarded per project after reviewing the size and capacity of the project. In general one contract for hydro-mechanical components and one contract for the electromechanical components of each project are awarded. We award our contracts after a process of international competitive bidding and our contracts are governed by the Fédération Internationale des Ingénieurs-Conseils conditions of contract for works of civil engineering. Contracts are awarded after a three stage bidding process consisting of pre-qualification, techno-commercial bidding and price bidding to ascertain general, technical and financial suitability of each of the bidding contractors. These processes are transparent and provide recourse through well-developed dispute resolution mechanisms. We generally aim to contract our construction work to specialized construction companies.

We act as the contract and construction manager for each project and each of the contractors reports to our representative on site. On certain occasions we suggest updated or advanced construction methodology to improve the construction process. In addition, we monitor the process of construction by preparing construction schedules and an institutionalized system of periodic review of project progress. We also provide follow up and support during the construction phase.

Prior to delivery, our commissioning and start-up team conducts field testing to ensure that the facility is not just operational, but that it meets our contractual specifications as well as national regulations and our own construction standards.

Operation and maintenance

Once the power station is commissioned and becomes fully operational the operation and maintenance division is responsible for the orderly running of the project. This division maintains a database of generation parameters for statistical review and analysis that can be used to optimize generation along with reducing downtime of equipment. This division also analyzes data to forecast problems and advises on remedial measures.

The operation and maintenance division conducts regular technical inspections of each of our power stations to assess both the effectiveness and efficiency of the station's operation. It also reviews operations and maintenance expenses, including the revenue budget and capital budget, to determine the optimum utilization of funds.

Automation of stations

Presently, the operations of all the power stations are either semi or fully automated. Our Uri, Chamera II, Dhauliganga and Dulhasti power stations are equipped with advanced distributed control systems along with SCADA systems. We are presently implementing SCADA in the Baira Siul, Loktak, Tanakpur, Rangit and Chamera I power stations. SCADA allows for better monitoring and control of the power station.

Sale of Energy

Tariffs

Tariffs for each of our stations are determined by the CERC and may be revised during the term of the respective PPAs, depending on changes in tariff regulations issued by CERC. The tariff structure prescribed by the CERC comprises a number of elements, including Annual Fixed Charges (“**AFC**”), incentives and unscheduled interchange charges.

The AFC comprises primary energy charges and capacity charges and is determined by factors like return on equity, depreciation inclusive of advance against depreciation, interest on loan, interest on working capital and operation and maintenance expenses. Our recovery of the capacity charge is dependent on the availability of the power station. Availability is determined by reference to the daily Capacity Index, which is the declared capacity expressed as a percentage of the maximum available capacity for the day. Apart from AFC, we are also entitled to incentives on account of excess generation over and above design energy and for maintaining our stations at a capacity index higher than the normative level prescribed by the CERC. In addition, unscheduled interchange charges can be levied from us or paid back to us under the present tariff structure. The unscheduled interchange component is a payment (or penalty) designed to create incentives for maintaining grid discipline. Further, minimum alternative tax levied on our core business is also reimbursable to us. Similarly, under current tariff regulations, foreign exchange rate variation is also reimbursable to us or payable by us as the case may be. From April 1, 2004, our tariffs have been based on the CERC’s tariff regulations for 2004 to 2009. For a discussion of the CERC’s tariff regulations and their effect on our results of operations, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations*” on page 251.

Power Purchase Agreements

The GoI allocates the output of each of our stations among the station’s customers. Each of our power stations has PPAs with its customers. In Fiscal 2008, we derived Rs. 2,958.20 crore or 99.75% of our restated consolidated revenues from sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. Under the terms of the PPAs, we are obliged to supply electricity to SEBs or their successor entities, private distribution companies and other GoI entities in accordance with the terms of the allocation letters issued by the GoI from time to time as required by the tariff policy issued from MoP. The PPA is valid until it is extended, renewed or replaced by another agreement on such terms and for such further period of time as the parties agree.

As part of our investment approval procedures, we typically require PPAs to be in place for all new projects before approval is given for investment. Due to the current imbalance between demand and supply in the Indian power sector, and the competitive rates at which we are able to supply power, we do not currently foresee difficulties with renewing the PPAs when they expire.

The MoUs signed with respective State governments pursuant to the PPAs require us to provide 12.0% of the energy that we generate to the respective State or its utilities or electricity boards, termed as ‘bulk power customers’, free of cost. We are not permitted to offer this contracted capacity to any third person for the duration of such MoUs. Further pursuant to the MoUs, the bulk power customers have the right to purchase a proportion of the remaining 88.0% of the power generated from our power stations, equivalent to the proportion of such State government’s shareholding in the respective joint ventures formed pursuant to such MoUs and/or otherwise allocated in accordance with the directives of the respective State governments.

Significant features of PPAs include:

- The term of the PPA is generally for five years from the date of the commercial operation of the last unit of the project, provided that such PPAs may be renewed or replaced on such terms and for such further time as the parties may agree. However, the provisions of a PPA continue to operate until such PPA is formally renewed or replaced.
- We are required to sell the entire power available for sale generated by our power stations to the bulk power customers. Power available for sale is determined after deducting the power to be provided free of cost to the bulk purchaser and power that is consumed in plant operations, transmission and transformation.

The allocation of power from our power stations to our bulk power customers is according to the allocation of power approved by the MoP. The quantum of energy sold to our bulk power customers out of the energy available for sale and the basis for billing in relation thereto is as indicated in the periodic regional energy account (“**REA**”) issued by the respective Region Power Committee (“**RPC**”). The bulk power customers make the necessary arrangements separately with the concerned agencies in respect of the transmission of the power and payment of transmission charges and we are not responsible for transmission.

- The tariffs we charge and the conditions for the supply of energy, as well as the surcharge levy and rebates are determined according to the notifications issued by the CERC or GoI from time to time. Further, settlement of any disputed current dues is determined according to the directives of the CERC or the GoI as issued from time to time.
- Metering arrangements, including installation, testing, maintenance, collection, transportation and processing of data required for energy exchange, is governed by the notifications issued by the CERC from time to time and as per the relevant provisions of the Indian Electricity Grid Code, as amended from time to time.
- The parties to a PPA are not liable for any claim for loss or damage arising out of failure to carry out the terms of such PPA to the extent that such failure is due to events such as riot, strike, lock out, fire, explosion, flood, drought, earthquake, war or other forces, accidents or *force majeure* events. Any party claiming the benefits of this provision is holds the burden of proving that the event occurred and damage was suffered.
- All questions or disputes between parties in connection with a PPA, except the extent of power vested with the respective RPC, are settled through arbitration in accordance with the Arbitration and Conciliation Act, 1996 and any statutory modifications thereto, in the event such differences cannot be settled through conciliation prior to arbitration.

Recoveries through One-Time Settlement Scheme

We have previously had problems recovering payments from SEBs and other State government entities, however, in 2001, the MoP, and the state entities established a scheme of One Time Settlement. Pursuant to the One Time Settlement, the GoI, on behalf of the central sector power utilities, executed Tripartite Agreements with the RBI and the State governments to effectuate a settlement of overdue payments, by way of tax-free power bonds, owed to us by the SEBs or their successor entities or other State government entities with provisions for incentives for future timely payment. In addition, a similar settlement, by way of long term advances, was entered into in Fiscal 2004 between the GoI and the national capital territory of Delhi (the “**Settlement**”).

Under these agreements, the overdue amounts outstanding as of September 30, 2001 were securitised by the issue of tax-free power bonds and long term advances amounting to Rs. 2,818.04 crore against outstanding principal dues, late payment surcharge, and conversion of bonds issued by the SEBs after March 1, 1998. Tax free interest on the power bonds and long- term advances are payable to us at a rate of 8.5% p.a. These bonds mature and the long-term advances are payable in various stages, starting from October 1, 2006 until April 1, 2016.

Although the Tripartite Agreements and Settlement were executed in Fiscal 2003 and Fiscal 2004, respectively and the bonds and long term advances were issued thereafter, the deemed date of allotment of the bonds and long term advances was October 1, 2001. We accounted for the interest on the bonds and long term advances in Fiscal 2003 and 2004 for the period beginning from October 1, 2001.

The Tripartite Agreements and Settlement require each SEB to establish an LC in our favour with a commercial bank. The LC’s are required to cover 105% of the average billed amount for the preceding 12 months and are 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 or their successor entities or other State government entities in accordance with the provisions of the Tripartite Agreements.

The SEBs are required to make payment either through the LC or otherwise within 60 days after we raise the invoice. If payment is not made within 60 days, we are able to levy a surcharge on the outstanding amount at the rate of 15% p.a. compounded quarterly. This surcharge is accounted for as other income as and when realised.

In addition, if payment is not made within 60 days after we raise the invoice, 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 within 90 days, we have the right to reduce power supply by 15%. If we reduce the power supply in the manner described above, we can approach the GoI to pay the outstanding amounts to us from the concerned state’s account balance with the RBI.

The security mechanisms under these Tripartite Agreements are valid up to 2016. The Tripartite Agreements, however, provide that upon divestment of ownership or control of a SEB or any of the entities resulting from the unbundling of a SEB, as applicable, in favor of any entity not owned or controlled, directly or indirectly, by the applicable State government, the Tripartite Agreement relating to the SEB or the unbundled entity, as applicable, will expire. In such an event, a fresh PPA will have to be entered into with such unbundled entities. Any delay in execution or change in terms and conditions in the PPA could have an adverse impact on our realization of payments against sale of power.

Research and Development

Research and development is key to our continued success in engineering and construction. Our research and development activities are focused on anticipating our future needs and those of our agency clients and making us more competitive. We also seek to implement the latest technological advances and developments at our project sites.

Our research and development activities are concentrated primarily on studies for elongation of operating life of underwater components such as turbines by mitigating silt erosion. We have conducted field trials of coatings for underwater parts and have also joined with the National Metallurgical Laboratory, Jamshedpur, as lead agency for the development of alternative silt resistant material. We have also successfully introduced a hydro suction sedimentation exclusion system for the Salal reservoir and the Tanakpur power channel. We are also considering the establishment of a computational fluid dynamics laboratory for the mathematical modeling of appropriate profiles of underwater components to safeguard against silt erosion.

We have established alliances with external research and development facilities and agencies to further grow our business. In association with the National Environmental Engineering Research Institute, Nagpur, we have recently completed the first phase of ecological study of the Teesta River at our Teesta V project.

Recently, we have undertaken research into the selection of appropriate turbine generation units for tidal power stations with a view to diversifying into that area.

Clean Development Mechanism

We have secured benefits from our hydropower projects under the clean development mechanism (“CDM”) scheme pursuant to the United Nations Framework Convention on Climate Change of 1994. Under this scheme, an industrialised country that wishes to get credits from a CDM project must obtain the consent of the developing country hosting the project that the project will contribute to sustainable development. Then, using methodologies approved by the CDM Executive Board, the applicant must make the case that the carbon project would not have happened absent such benefits, and must establish a baseline estimating the future emissions in absence of the registered project. The case is then validated by a third party agency, called a Designated Operational Entity, to ensure the project results in real, measurable, and long-term emission reductions.

Hydropower projects registered by the CDM Executive Board are eligible to earn CER credits. CER credits can be sold to industrialized countries that are required to meet their green house gas emission reduction targets under the terms of the Kyoto Protocol Treaty of 2005.

Two of our hydropower projects have been given host country approval from the Indian CDM Authority. They are the Nimoo Bazgo hydroelectric project (3x15 MW) and the Chutak hydroelectric project (4x11 MW), both located in Jammu & Kashmir. The predicted annual green house gas emission reduction will be 180,074 tonnes and 159,889 tonnes of carbon dioxide for the Nimoo Bazgo and the Chutak projects, respectively. We anticipate that annual Certified Emission Reductions (“CER”) revenue to be generated from the Nimoo Bazgo and Chutak projects is Rs. 13.58 crore, and Rs. 12.06 crore respectively.

We are pursuing CDM registration for additional projects and are investigating other carbon trading initiatives for our projects, such as voluntary emission reduction.

IT and Communications

We make use of information and communication technologies for the execution and management of our projects and power stations. We consider information technology to be a strategic tool for us to improve our overall productivity and efficiency. The highlights of our information technology strategy which is aligned with our business strategy include:

- assisting in accelerated implementation of construction projects minimizing cost and time overruns;
- assisting in operation and maintenance of power stations to ensure high machine availability and maximum energy generation;
- assisting in effective management of resources; and
- facilitating decision-making process by providing improved quality of information.

We have set up IT infrastructures in more than 35 of our locations across the country. All the locations/offices are interconnected through multi-modal, communication systems to provide voice, fax, data and video conferencing services. Since most of our projects/power stations are located in remote areas, our Very Small Aperture Terminal (“VSAT”) based satellite communication network has become the lifeline for effective operations of power stations and also for monitoring of projects under construction. We are presently upgrading the bandwidth of our existing VSAT network. A host of software applications have been implemented covering key business functions leveraging the IT and communication infrastructure.

We have recently implemented an Enterprise Resource Planning (“ERP”) system to enable us to manage optimum utilization of generating assets, accelerated development of construction projects and thereby improve the quality, productivity and profitability of our organization. We are also in the process of setting up a data centre at Faridabad to host the ERP system. We anticipate that we will invest approximately Rs. 85.30 crore, intended to be raised through internal accruals, over the next five years in implementing and maintaining the ERP project including software, hardware and communication systems.

We believe that this system will provide following benefits:

- integrated management of all key activities for construction of projects.
- a mechanism for stringent monitoring and management of time and cost of construction projects.
- increased generation of energy from power stations, which translates to more revenue.
- allow us to reduce inventory levels.
- quicker decision making due to online availability of up-to-date information (operational, physical and financial);
- automated workflow and improved document management and more agility to respond to future market changes.
- adopting best business practices in different functional areas.

Software

Our electro-mechanical design division has developed a suite of software, Jal Vidyut, for in-house use in connection with power potential assessment, preliminary power house sizing and speed and pressure rise computations. DPRs for several projects have been successfully submitted to the CEA for TEC using data computed by the software. This suite of software was developed in an effort to

standardize engineering practice in our organization. We intend to continue to refine this software to increase its utility to our engineering team.

We have implemented a geographic information system (“GIS”) for capturing, storing, analysing and managing data and associated attributes, which are spatially referenced, to our projects. This allows us to develop three dimensional geotechnical models for our hydropower projects.

Insurance

We rely upon insurance coverage obtained by our contractors to insure damage and loss to our hydroelectric projects during the construction phase. Our contractors take third party insurance in respect of risks associated with our assets and infrastructure that are ancillary to our stations during the construction phase such as:

- Cargo insurance;
- Erection all-risks insurance;
- Worker’s compensation insurance;
- Employers’ liability (as per the Public Liability Insurance Act); and
- Third party liability insurance.

We self-insure the risks associated with damage due to fire, storm, cyclone, flood, earthquake, landslide and terrorist activities to our power stations once they have been commissioned and are operating. Consequently we are exposed to these risks. We provide for these risks by creating and maintaining a reserve equivalent to 0.50% of our gross block of operational projects as at the end of each Fiscal.

Human Resources

Our Company had 12,234 employees as of July 31, 2008. We believe that a well-trained and experienced team of employees is crucial to our continued growth and success. In this regard, we are committed to recruit and retain the best talent in the industry, providing them the best training and development facilities and remunerating our employees at levels that will encourage them to perform to their best capability.

In view of future challenges and developments we have conducted a cultural and work environmental survey of our organization and as a result we have undertaken numerous initiatives to adjust our human resources efforts to our business strategy including, introducing comprehensive feedback systems, productivity enhancement schemes and performance management systems. We have introduced a gender equity initiative and a competency mapping system for our key personnel, a process, which identifies the core strengths of, and areas that can be improved upon by, our employees. We have comprehensive staff welfare schemes in place, including employee health and social security schemes.

Employee Training and Development

We encourage our employees to develop management and technology skills through internal programs, industry affiliations and external certifications. The training and development needs of our staff are assessed on a regular basis. We have a comprehensive training policy for the development of our employees.

As part of our commitment to training, we have set up training centers at four power stations, namely, Tanakpur power station (Uttarakhand), Chamara-I power station (Himachal Pradesh), Salal power station (Jammu & Kashmir) and Uri-I power station (Jammu & Kashmir). These centers allow for on-site training and simulators.

In connection with our commitment to build business management competency in middle management level executives, we encourage postgraduate study and maintain a number of programs with various institutes and universities in India.

Unions

We strongly believe in continued social dialogue and employee participation in management and thus have a harmonious relationship with our workers' unions. The majority of our workers are affiliated with worker unions. We believe that we have harmonious relationships with our worker unions. Most of our generating stations have unions that are registered under the Trade Union Act 1926. Most of these unions are affiliated with one of the four major central employee federations - the All India Trade Union Congress, Bharatiya Mazdoor Sangh, NHPC Employees Front and Indian National Trade Union Congress. We have previously had instances of sporadic and localized protests. These have not led to any substantial generation loss. Wage negotiations with our unions are ongoing and a new wage agreement is anticipated to be entered into with respect to unionised employees later this Fiscal year. For details, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Expenditures – Employees' Remuneration and Benefits***" on page 259. Our executive and supervisory employees are affiliated with employee associations.

Environmental Compliance

We are committed to developing hydropower in a technologically efficient, environmentally benign and socially responsible manner. We seek wherever possible to minimize the impact of hydropower projects on the local population, forestry, flora, fauna, and places of national historical, religious, spiritual and archaeological interest.

We undertake the following activities in order to realize our environmental and social objectives:

- environmental impact assessment studies;
- catchment area treatment to arrest soil erosion;
- compensatory afforestation to replace forest areas lost to project construction;
- green belt development and reservoir rim treatment;
- landscaping and restoration of dumping, quarrying and construction areas;
- solid waste management;
- wildlife conservation;
- fishery management and conservation;
- resettlement and rehabilitation for project-affected people in accordance with the Land Acquisition Act, 1894 and the National Resettlement and Rehabilitation Policy, 2007;
- post-construction environmental and social impact evaluation; and
- disaster management.

The ISO 14001 certification of our environmental management systems issued by the Bureau Veritas Certification (India) Private Limited demonstrates the international recognition of our commitment to sustainable development. We have a multi-disciplinary environment core group for conducting environmental impact assessment studies, and for monitoring and evaluating proposed environmental safeguards. Our corporate planning division also provides consultancy services in relation to

environmental impact assessment and environmental management, and has advised eight State government and other entities in relation to environmental impact assessment since 1999.

Corporate Social Responsibility

We are committed to our Corporate Social Responsibility (“**CSR**”) efforts and strive to demonstrate environmentally as well as ethically conscious behaviour. This has been captured in our mission statement which is “To execute and operate projects in a cost effective, environmentally friendly and socio-economically responsive manner”.

We seek to incorporate best practices to ensure good corporate governance, employee welfare, strong environmental commitments, and smooth industrial relations and have taken various other initiatives towards community development. In our endeavour to align our business operations with social values we have launched a CSR community development scheme and sanctioned a budget for various large-scale initiatives to be undertaken in and around power stations and construction sites. For Fiscal 2009 a total of Rs. 2.68 crore has been budgeted for all CSR activities.

Some of the initiatives taken by us that have led to socio-economic development in connection with our power station and projects include:

- creation of herbal parks, butterfly parks, bio diversity conservatories, large-scale afforestation, catchment area treatment and fisheries management;
- infrastructure developments in connection with our projects including the construction of roads and bridges;
- empowerment of rural poor in the surrounding communities through educational and vocational training programs, adult education programs, career guidance programs, women empowerment programs, health care programs and the promotion of sports and culture;
- social welfare programs at the Uri Sector of the Baramulla District, in connection with the Salal Project in the State of Jammu & Kashmir

Our CSR initiatives have been acknowledged with awards and recognition from the GoI, various State governments and international agencies and industry bodies. For further information, see “**History & Certain Corporate Matters**” on page 113.

Rehabilitation and Resettlement

We are committed to safeguarding the interests of project-affected people through implementation of our resettlement and rehabilitation policy, 2007. This policy is based on the national standards for rehabilitation and resettlement activities set out in the National Resettlement and Rehabilitation Policy, 2007 issued by the GoI. For further information, see “**Regulations and Policies in India**” on page 103. Our resettlement and rehabilitation program aims to improve the overall economic status of people who might be displaced or otherwise affected adversely by our projects. The core provisions of our policy are to ensure that project-affected people are provided with an adequate rehabilitation package beyond monetary compensation. This includes active and transparent participation of the affected people in deciding their compensation package, compensation for those who do not have a legal or recognised right over the land on which they are dependant for subsistence, continuity in livelihood options after resettlement, quantification of costs and benefits that will accrue to the society as of the desirability and justifiability of each project, expeditious implementation of the rehabilitation process and special care to vulnerable section of the society.

Each resettlement and rehabilitation program is developed on a project by project basis, based on specific local requirements and is guided by extensive socio-economic surveys. We have set up an institutional framework to implement our resettlement and rehabilitation policy; however, the State government of the state in which the project is located is ultimately responsible for disbursing compensation to those individuals that are displaced due to our projects.

Competition

As on May 31, 2008, total installed capacity of hydroelectric projects in India was around 36,033.8 MW. Our Company with an installed capacity of 3,655 MW represents 10.14% of the capacity share and along with NHDC's installed capacity of 1,520 MW; we represent a capacity share of 14.36%. In Fiscal 2008, our Company generated 14,813.16 MUs of electricity. Some of the other players in this industry are Bhakra Beas Management Board ("BBMB"), generation companies of the various states of India, such as, MAHAGENCO, APGENCO, Satluj Jal Vidyut Nigam Limited ("SJVN"), which is a joint venture between the GoI, the government of Himachal Pradesh and Tehri Hydro Development Corporation Limited ("THDC"), which is a joint venture between the GoI and the government of Uttar Pradesh, along with other private players. Due to the historical imbalance between demand and supply in the Indian power sector, there has generally been a stable market for power generation companies in India. However, the Electricity Act, removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation stations. These reforms provide opportunities for increased private sector involvement in power generation. Specifically, the open access reforms, by which generators will be able to sell their output directly to distribution companies and, ultimately, directly to consumers, may increase the financial viability of private investment in power generation.

While under the Electricity Act, CEA approval and consent of relevant State government is required to set up a hydro powered project, the increased opportunities for private investment in the market described above, when combined with available hydro potential in India and the resulting low costs of production, may lead to increased investment in and competition in the hydroelectric sector in the future.

Property

Our registered and corporate office is located at NHPC Office Complex, Sector 33, Faridabad 121 003, Haryana, India. Set forth below is a brief summary of our significant immovable properties where our registered, corporate office and our liaison offices are situated:

Office	Address	Nature of Property Rights
Faridabad	NHPC Office Complex, Sector 33, Faridabad 121 003, Haryana	Freehold
Gangtok	Near Sikkim Manipal Medical College, Tadong, Gangtok 737 101, Sikkim	Freehold
Jammu*	Plot No. 1,2 and 11, JDA Commercial Complex, Fruit Market, Narwal, Jammu 180 012, Jammu and Kashmir	Leasehold
Banikhet	P.O. Banikhet, District Chamba, Himachal Pradesh, 176303	Freehold
Lucknow	TC/43-V, Vibhuti Khand, Near RML Hospital, Gomti Nagar, Lucknow 226 010, Uttar Pradesh	Freehold
Chandigarh	Bays 74-75, Dakshan Marg, Sector 31-A, Chandigarh 160 030, Punjab	Leasehold
Kathgodam	Hanuman Gari, Gaula Par Road, Post Office Kathgodam, District Nainital 263 126, Uttarakhand	Leasehold
Kolkata	Plot No. 3, Block DP, Sector V, Salt Lake City, Kolkata 700 091, West	Leasehold

Office	Address	Nature of Property Rights
	Bengal	
Mumbai	203-204, Keshava Building, Bandra Kurla Complex, Bandra (East) Mumbai 400 051, Maharashtra	Leasehold

** Office at Jammu (J&K), is presently under construction*

In addition to the above, we also have leasehold or freehold rights over various other properties where our other offices, transit camps and residential complexes are situated.

We have immovable properties at various locations for the purpose of our business, held either on a freehold or a leasehold basis. Typically, these properties are acquired in one of four ways:

- (a) Acquisition of government-owned land through processes instituted under the Land Acquisition Act, upon payment of due compensation as determined through examinations conducted by the Land Acquisition Officer under the Land Acquisition Act;
- (b) Acquisition of government-owned land under perpetual leases executed with the relevant State or local authorities for such consideration and on such conditions as are contained in the letters of allotment or lease deeds;
- (c) Acquisition of privately owned land from various persons, through processes instituted under the Land Acquisition Act, upon payment of due compensation as determined through examinations conducted by the Land Acquisition Officer under the Land Acquisition Act: or
- (d) Acquisition of privately owned land from various persons through sale deeds executed with such persons for such consideration as is agreed between us and such private persons.

There are certain immovable properties for which the conveyance deeds have not yet been executed in our favor. In addition, there are certain properties for which mutations (the process by which changes in beneficial ownership is formally recorded in land registries in India) have not yet been carried out in the records of the local land registries.

In addition, we enter into arrangements from time to time with the GoI, under which we are permitted to use forest lands for the construction of our projects. For the purposes of such arrangements, we are required to submit applications to the GoI through the concerned State forest department in relation to our projects, under the Forest (Conservation) Act, 1980 (“FCA”), pursuant to which the GoI approves the diversion of such forest lands for the construction of the concerned projects by us. While we are not required to pay any consideration for our use of such forest lands, we are required to abide by the conditions imposed upon us by the GoI and pay net present value (“NPV”) besides the cost of compensatory afforestation for the forest land diverted. These conditions typically require us to carry out compensatory afforestation on equivalent non-forest area or on degraded forest land twice the extent of the forest land diverted, as identified by the respective State governments. The costs of such rehabilitation and afforestation form part of the total project cost for the concerned projects.

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. 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” falls within the Concurrent List of the Seventh Schedule to the Constitution of India. Therefore, both the GoI and the State governments have the power to legislate in this sector, provided that a State enactment does not conflict with any Central enactment.

The Electricity Act, 2003 (“Electricity Act”)

The Electricity Act was enacted by the GoI to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and the development of the electricity industry, promoting competition therein, protecting interest of consumers, rationalisation of the electricity tariff, and ensuring transparent policies regarding subsidies. The Electricity Act repealed the Indian Electricity Act, 1910 (which governed the transmission, supply and use of electricity), the Electricity (Supply) Act (which constituted statutory bodies at the central, regional and state levels to govern generation, transmission and distribution of electricity) and the Electricity Regulatory Commissions Act, 1998 (which constituted the Central and State Electricity Regulatory Commissions). The provisions of the Electricity Act came into force w.e.f. June 10, 2003 and apply to the whole of India excluding the State of Jammu and Kashmir, which has its own State legislation. In addition, it was notified that State enactments be applicable in the respective States to the extent such enactments are not inconsistent with the provisions of the Electricity Act. The GoI amended certain provisions of the Electricity Act by enacting the Electricity (Amendment) Act on December 30, 2003 and June 15, 2007.

Authorities under the Electricity Act

The Central Electricity Authority (“CEA”) was constituted under the repealed Electricity (Supply) Act and its powers and functions were amended under the Electricity Act. The CEA consists of members appointed by the GoI and it acts as an advisor to the Central Government on matters relating to the national electricity policy, formulates plans for development and co-ordinates with planning agencies for optimal usage of resources. The CEA also specifies technical standards and safety requirements for electrical plants, lines and grids.

The Electricity Act also regulates the working of the CERC and a SERC for each State, which were originally constituted under the repealed Electricity Regulatory Commissions Act, 1998. The CERC’s functions include regulation of tariff of power generating companies owned or controlled by the Central Government and tariff of power generating companies other than those owned or controlled by the Central Government if such generating companies have a composite scheme for generation and sale of electricity in more than one State and of inter-State transmission of electricity; determination of tariff for inter-State transmission of electricity; issuance of licenses to generating companies, transmission licensees and electricity traders with respect to their inter-State operations; adjudication of disputes involving generating companies or transmission licensees regarding matters under the Electricity Act and the power to refer any dispute for arbitration; levy of fees for purposes of the

Electricity Act; specifying the Indian Electricity Grid Code (“**IEGC**”) with regard to the Grid Standards; specifying and enforcing standards with respect to quality, continuity and reliability of service by licensees; fixation of the trading margin in inter-State trading of electricity, if considered necessary; and advising the Central Government on formulation of the National Electricity Policy and Tariff Policy. The SERCs functions include adjudication on disputes between licensees and generating companies, and the power to refer any such dispute for arbitration; levy of fees for the purposes of the Electricity Act; specifying the State Grid Code consistent with the IEGC as specified under the Electricity Act, specifying or enforcing standards with respect to quality, continuity and reliability of service by licensees and to fix the trading margin in intra-State trading of electricity, if considered necessary. The Electricity Act also provides for establishment of a Joint Commission by agreement between two or more State governments or by the Central Government in respect of a Union Territory and one or more State governments. The appropriate commissions are, in connection with any inquiry or proceedings under the Electricity Act, vested with powers of a civil court and all proceedings before the appropriate commission are deemed to be judicial proceedings within the meaning of the Indian Penal Code.

The Central and State governments are required to each constitute a Coordination Forum consisting of the chairperson and members of the CERC or SERC, as the case may be, the Chairperson of the CEA in case of the Forum being constituted by the Central Government, representatives of generating companies and transmission licensees engaged in transmission of electricity (inter-State in case of CERC and within the State in case of a SERC). The Central Government is required to also constitute a forum of regulators consisting of the chairpersons of the CERC and SERCs. The chairperson of the CERC will be the chairperson of the forum of regulators. There will be a committee in each district to be constituted by the appropriate Government to coordinate and review extension of electrification in each district and quality of power supply and consumer satisfaction, and to promote energy efficiency and conservation. The CERC and SERCs may establish a Central or State Advisory Committee, respectively, with the chairperson of the CERC, or SERC, as the case may be, being the chairperson of such Advisory Committee. The objects of such Advisory Committee will be to advise the appropriate commission on policy, matters relating to quality, continuity and extent of service provided by the licensees; compliance by licensees with the conditions of their licence; protection of consumer interest; electricity supply and standards of performance by utilities. The Electricity Act also provides for constitution of the Central Electricity Regulatory Commission Fund and respective State Electricity Regulatory Commission Funds, wherein any grants and loans made to the CERC and SERCs by the Central or State government, as the case may be, and all fees and sums received by the CERC or SERC, as the case may be, under the Electricity Act will be credited. The Fund shall be applied for meeting the expenses of the CERC or the SERC, as the case may be, in discharge of its functions and expenses on objects and for purposes authorised by the Electricity Act. The Central Government may, in consultation with the Comptroller and Auditor-General of India, prescribe the manner of applying the Fund for meeting such expenses.

The appropriate Government may appoint duly qualified persons to be Chief Electrical Inspector or Electrical Inspectors. An appeal will lie from the decision of a Chief Electrical Inspector or Electrical Inspector to the appropriate Government or if the appropriate Government directs, to an appropriate commission. Every Electrical Inspector or other person holding an inquiry under has the powers of a civil court. The State government may also, for speedy trial of offences under the Electricity Act, constitute as many special courts as necessary for such areas as specified in the notification. A special court shall consist of a single Judge appointed by the State government with the concurrence of the High Court, who shall have the powers of a court of session. The Special Court may try the offence in a summary way in accordance with the Criminal Procedure Code, 1973. The Electricity Act also provides for establishment of an Appellate Tribunal for Electricity vested with the powers of a civil court to settle appeals against the order of an adjudicating officer or appropriate commission under

the Electricity Act. Any person aggrieved by a decision of the Appellate Tribunal for Electricity may file an appeal to the Supreme Court of India. All proceedings before an Electrical Inspector or the Appellate Tribunal for Electricity are deemed judicial proceedings within the meaning of the Indian Penal Code.

Generation of Electricity

Under the Electricity Act, a generating company is permitted to establish, operate and maintain a generating station without obtaining a license under the Electricity Act, provided it complies with the technical standards stipulated under the Electricity Act, relating to connectivity with the grid. However, a generating company intending to establish a hydro generating station is required to submit a scheme along with capital expenditure estimates to the CEA for concurrence, when such scheme exceeds Rs. 2,500 crore, provided the scheme conforms to the capacity and type mentioned in the National Electricity Plan and the site has been allocated through a transparent process of bidding in accordance with the guidelines issued by the Central Government. Any scheme not covered by the above conditions is required to be submitted to the CEA if the capital expenditure estimates of the generating company exceed Rs. 500 crore. A DPR is required to be submitted in accordance with the Guidelines for Formulation of Detailed Project Reports for Hydro Electric Schemes, their Acceptance and Examination for Concurrence, 2007, notified by the CEA. The CEA, before concurring in any scheme submitted to it by such generating company, shall consider whether such scheme would prejudice prospects for development of the river or its tributaries for purposes including power generation, requirements of drinking water, irrigation, navigation, flood-control, or other public purposes, and also whether such scheme meets the norms on dam design and safety.

A generating company is permitted to supply electricity to any licensee or directly to consumers, subject to regulations made under the Electricity Act, including in respect of installation of an electricity meter and furnishing due information regarding the installation to the Electricity Inspector and local authorities. A generating company is required to establish, operate and maintain generating stations, tie-lines, sub-stations and dedicated transmission lines in accordance with the provisions of the Electricity Act and the rules or regulations made thereunder. In this regard, a generating company has to comply with the technical standards for operation and maintenance of transmission lines stipulated in the Grid Standards issued by the CEA under the Electricity Act; submit technical details regarding its generating stations to the appropriate commission and the CEA; and coordinate with the relevant Central or State transmission utility for transmission of electricity generated by it.

The CEA in consultation with the State government may specify measures for protecting the public from dangers arising from generation, transmission or distribution or trading of electricity, or use of electricity supplied, or installation, maintenance or use of any electric line or electrical plant; eliminating or reducing the risks of personal injury to any person, or damage to property of any person or interference with use of such property; prohibiting supply or transmission of electricity except by means of a system which conforms to the specification specified; giving notice in the specified form to the appropriate commission and the Electrical Inspector of accidents or failure of supply or transmission of electricity; or specifying action to be taken regarding any electric line or electrical plant or any electrical appliance under the control of a consumer for the purpose of eliminating or reducing a risk of personal injury or damage to property or interference with its use.

The appropriate commission may issue such directions as it considers appropriate to a generating company if such generating company enters into any agreement, abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry. Further, the Central and State governments are empowered under the Electricity Act to direct the operation and maintenance of power generating stations in the event of a security

threat to the State, a natural calamity or any other extraordinary circumstances. The Central Government has the power to make rules in order to carry out the provisions of the Electricity Act and has the authority to prepare the National Electricity Policy and the National Tariff Policy and modify the same from time to time. The Central Government may also make regional demarcation for the efficient and economical transmission and supply of electricity in India.

The Central and State government may make rules for carrying out the provisions of the Electricity Act. The CEA may make regulations consistent with the Electricity Act and the rules generally to carry out the provisions of the Electricity Act, including in respect of the Grid Standards; measures relating to safety and electric supply; installation and operation of meters; procedure for transaction of business; technical standards for construction of electrical plants and electric lines and connectivity to the grid; form and manner in which and the time at which the State government and licensees shall furnish statistics, returns or other information. The CERC may make regulations consistent with the Electricity Act and rules generally to carry out the provisions of the Electricity Act, including in respect of the IEGC; levy and collection of fees and charge from generating companies or transmission utilities or licensees; rates, charges and conditions in respect of intervening transmission facilities; reduction and elimination of surcharge and cross subsidies under the Electricity Act; conditions for determination of tariff; details to be furnished by licensee or generating company; procedures for calculating expected revenue from tariff and charges. In addition, the CERC and SERCs may make regulations consistent with the Electricity Act, including in respect of levy and collection of fees and charges from generating companies or licensees; reduction and elimination of surcharge and cross subsidies; methods and principles by which charges for electricity shall be fixed; conditions for determination of tariff; and methodologies and procedures for calculating expected revenue from tariff and charges.

Whoever fails to comply with an order or direction under the Electricity Act, within the time specified in the said order or direction, or contravenes or attempts or abets contravention of any provision of the Electricity Act or rules or regulations made thereunder, is punishable with imprisonment which may extend to three months or with fine which may extend to Rs. 0.01 crore or with both in respect of each offence and in the case of a continuing failure, with additional fine which may extend to Rs. 5,000 for every day during which the failure continues after conviction for the first such offence. In case a complaint is filed before the appropriate commission by any person or if such commission is satisfied that any person has contravened any provision of the Electricity Act or rules or regulations made thereunder or any direction issued by such commission, the appropriate commission may after giving such person an opportunity of being heard, direct that, without prejudice to any other penalty to which he may be liable under the Electricity Act, such person shall pay a penalty which shall not exceed Rs. 0.01 crore for each contravention and in case of a continuing failure, an additional penalty which may extend to Rs. 6,000 for every day the failure continues after the first such contravention. Any penalty payable under the Electricity Act, if not paid, may be recovered as if it were an arrear of land revenue.

Under the Electricity Act, if a State government requires grant of a subsidy to any consumer or class of consumers in the tariff determined by the appropriate commission under the Electricity Act, such State government shall pay in advance, in the manner specified by the appropriate commission, the amount to compensate the person affected by the grant of such subsidy or any other person concerned, to enable the appropriate commission to implement the subsidy provided by the State government.

Development of hydropower projects and power sharing formula

The MoP, by a notification dated June 8, 2001, has prescribed a three-stage procedure regarding the development of hydropower projects. The notification prescribes the key activities that are required to be performed at each stage and the time period for the completion of such key activities. Details of the activities to be undertaken during the three stages are set forth below:

- (a) **Stage-I:** Any hydropower generation company proposing to set up a hydropower station is required to approach the MoP for sanction of the proposed project. The MoP shall sanction expenditure of up to Rs. 10 crore on survey, investigation and preparation of the pre-feasibility report, subject to the same appearing in the five year plan. If the expenditure for the proposed project exceeds Rs. 10 crore, it requires sanction by the PIB;
- (b) **Stage-II:** involves preparation of the DPR, pre-construction works, development of infrastructure and land acquisition. In the event estimated cumulative expenditure for Stages I and II exceeds Rs. 10 crore, the same shall be considered by the PIB. Proposals of over Rs. 20 crore will be considered by the Ministry of Finance and those involving over Rs. 50 crore require the approval of the CCEA;
- (c) **Stage-III:** the approval of PIB/CCEA would be required in respect of the construction of the project. These approvals would be sought after the environment and forests clearances have been obtained from MoEF and TEC from the CEA.

In addition, the MoP by its notification dated November 1, 1990 has prescribed the formula for sharing of power and benefits from all central sector hydroelectric projects commissioned after September 7, 1990. The salient features of the notification are set forth below:

- (a) 15% of the generation capacity will be kept as 'unallocated' with the GoI for distribution within the region or outside, depending on overall requirements;
- (b) 12% of the energy generated will be supplied free of cost to the concerned State where distress is caused by the setting up of the project; and
- (c) The remaining 73% is distributed between the States in the region on the basis of Central plan assistance given to various States in the region during the last five years and on the basis of consumption of electricity in the States in the region in the last five years, the two factors being given equal weightage.

National Electricity Policy, 2005 ("NEP")

The NEP was notified under the Electricity Act by the GoI on February 12, 2005, in consultation with the CEA and the respective State governments, in order to accelerate development in the power sector by introducing provisions to provide supply of electricity to all areas and to protect interests of consumers and other stakeholders, keeping in view availability of energy resources, technology available to exploit such resources, economics of generation using different resources and energy security issues. The salient features of this policy are as stated below:

- providing access to electricity to all households in India within the next five years, including through creation of a 'Rural Electrification Distribution Backbone';
- fully meeting India's power demand by 2012, by overcoming energy and peaking shortages and making available adequate spinning reserve;
- per capita availability of electricity to be increased to over 1,000 units by 2012;
- minimum lifeline consumption of one unit/household/day as a merit good by year 2012;

- progressive reduction in surcharge in line with progressive reduction in cross-subsidies and reduction in tariffs charged by SERCs;
- supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- financial turnaround and commercial viability of the electricity sector; and
- protection of consumer's interest.

With a view to increase the overall share of non-conventional energy sources in the electricity mix, efforts will be made to encourage private sector participation through suitable promotional measures. Maximum emphasis would be laid on development of feasible hydro potential particularly in the North-Eastern States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu & Kashmir. Debt financing of longer tenure would be made available for hydro projects. Progressively the share of electricity from non-conventional sources would need to be increased as prescribed by the SERCs. Such purchase by distribution companies shall be through competitive bidding process. Considering that it will take time before non-conventional technologies compete in terms of cost with conventional sources, the appropriate commission may determine an appropriate differential in prices to promote these technologies. Generating companies may enter into medium to long-term fuel supply agreements especially with respect to imported fuels for commercial viability and security of supply.

Environmental concerns would be addressed through appropriate advance action by way of comprehensive Environmental Impact Assessment and implementation of Environment Action Plan (“EAP”). Steps would be taken for coordinating the efforts for streamlining the procedures in regard to grant of environmental clearances including setting up of ‘Land Bank’ and ‘Forest Bank’. Appropriate catchment area treatment for hydro projects would also be ensured and monitored. Full compliance with prescribed environmental norms and standards must be achieved in operations of all generating plants.

National Tariff Policy, 2006

The National Tariff Policy was notified under the Electricity Act, by the GoI on January 6, 2006, in consultation with the CEA and the respective State governments, to ensure financial viability of the power sector and availability of electricity to consumers at reasonable rates, attract investments and promote transparency and consistency in regulatory approach for tariff setting. The CERC and SERCs are guided by the National Tariff Policy. While guidelines for procurement of electricity through competitive bidding were issued in January 2005, the National Tariff Policy prescribes that all future requirement of power is required to be procured through a process of competitive bidding and all long term contracts are awarded a two-part tariff structure in order to facilitate a merit order dispatch. Further, power purchase agreements (“PPAs”) are required to ensure adequate and bankable payment security mechanism in case of default. Captive power generation plants are permitted to sell to non-captive users connected to transmission grids based on a negotiated tariff. SERCs are also empowered to fix minimum percentage of offtake from non-conventional sources/co-generation.

In addition, the appropriate commissions have the power to determine AFC for hydro generating stations. The components of annual fixed charges are interest on loan capital, depreciation and advances against depreciation return on equity, operation and maintenance expenses; and interest on working capital. The AFC are recovered in the form of capacity and primary energy charges. The return on equity allowed is 14% p.a. on the equity amount. Tax on income, extra rupee liabilities are to be reimbursed separately to the power stations as per actuals.

Under the Electricity Act, the appropriate commission may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, nature of supply and the purpose for which the supply is required. Further, no tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of any changes expressly permitted in terms of any fuel surcharge formula specified. An application for determination of tariff under the Electricity Act shall be made by a generating company or licensee in such manner and accompanied by such fee as determined by regulations issued under the Electricity Act and National Tariff Policy. The appropriate commission shall, after considering suggestions and objections received from the public, issue a tariff order accepting the application with modifications or conditions specified in that order or may reject the application if such application is not in accordance with applicable law, provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application. The tariff for any inter-State supply, transmission or wheeling of electricity may, on application made to it by the parties intending to undertake such supply, transmission or wheeling, be determined by the appropriate commission having jurisdiction in respect of the applicant in this respect.

National Electricity Plan

A National Electricity Plan is required to be notified by the CEA once every five years under the Electricity Act in accordance with the NEP and with the approval of the Central Government.

National Hydro Power Policy, 2008

The National Hydro Power Policy was notified by the GoI, setting out the following objectives: (a) inducing private investment in hydropower development; (b) harnessing the balance hydroelectric potential; (c) improving resettlement and rehabilitation; and (d) facilitating financial viability. The salient features of this policy are set forth below:

- (a) The existing dispensation available to the public sector regarding exemption from tariff based bidding up to January 2011 is extended to private sector hydroelectric projects;
- (b) State governments would be required to follow a transparent procedure for awarding potential sites to the private sector;
- (c) The concerned private developer would be required to following the existing procedure, including getting the DPR prepared, obtaining concurrence of the CEA/State government, obtaining environment, forest and other statutory clearance and then approach the appropriate regulator. It would be obligatory for the developers to go through an international competitive bidding process for award of contract for supply of equipment and construction of the project either through a turnkey contract or through a few well defined packages;
- (d) Tariff of the project would be decided by the appropriate commission;
- (e) Special incentive for merchant sales of up to 40% of the saleable energy is envisaged for the project(s) meeting the time lines;
- (f) An additional 1% free power from the project would be provided and earmarked for local area development fund, aimed at providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. It is further recommended that the

host State government would also provide a matching 1% from their share of 12% free power towards this corpus fund. This fund could be operated by a standing committee headed by an officer of the State government not lower than a district magistrate;

- (g) For 10 years from the date of commissioning of the project, 100 units of electricity per month would be provided by the project developer to each project affected family through the relevant distribution company;
- (h) In the interest of speedy implementation of hydroelectric projects, it is proposed that the Resettlement and Rehabilitation package be more liberal than the National Resettlement and Rehabilitation Policy, 2007.

Land Acquisition Act, 1894

The Land Acquisition Act sets forth provisions for compulsory acquisition of land by the government for any "public purpose" or for use by a corporate body. 'Public purpose' has been defined to include town or rural planning, planned development of land from public funds pursuant to any government scheme or policy, development schemes sponsored by the government, including acquisition for a corporation owned or controlled by the State. For a corporate body which is not owned or controlled by the State, prior permission from the appropriate government is required, along with an executed agreement with the appropriate government. Any person having an interest in such compulsorily acquired land has the right to object and the right to fair and just compensation. The value of compensation for the property acquired depends on several factors, which, among other things, include the market value of the land and damage sustained by the person in terms of loss of profits.

Environment (Protection) Act, 1986

As per the revised Environment Impact Assessment notification dated September 14, 2006 ("EIA Notification") site clearances for Stage - I and II have been dispensed with. Now, as per the new procedure specified in the revised EIA notification, for Category "A" hydroelectric project true for or more than 50 MW, clearance for pre-construction activities is given by the MoEF during the scoping stage along with the terms of reference ("ToR") for undertaking the EIA studies. The documents required for this purpose include an application seeking prior environmental clearance, to be submitted in the Form prescribed by the MoEF, along with a copy of Pre-feasibility Report ("PFR"). For preparation of the PFR no clearance from MoEF is now required. Earlier, site clearance Stage - I was required for undertaking the survey and investigation for the preparation of PFR/Feasibility Report. However, preparation of DPR can be undertaken only after clearance for pre-construction activities is granted by the MoEF.

Once the clearance for pre-construction activities is accorded by the MoEF, along with the approval on ToR for the EIA studies, comprehensive EIA studies are conducted through reputed institutes and universities. Once the EIA studies are completed, the process of public consultation and public hearing is initiated. As per the revised EIA Notification, public hearing is conducted at the project site(s) or in its close proximity district-wise, in accordance with the procedure laid down therein. During the public consultation process, the responses from concerned persons are invited by MoEF as well as the concerned State Pollution Control Board, in writing, by placing on their website the summary of the EIA report.

After completion of the public consultation, the environmental concerns expressed during the process are addressed in the draft EIA and EMP reports and the final EIA and EMP reports are submitted along with a copy of DPR to MoEF for appraisal by the Expert Appraisal Committee ("EAC").

Alternatively, a supplementary report to EIA and EMP, addressing the concerns is submitted. Once the project is recommended by the EAC, the environmental clearance is issued by the MoEF subject to compliance with the conditions stipulated in the clearance letter.

Forest (Conservation) Act, 1980

The FCA came into force on October 25, 1980, prohibits use of any forest for non-forest purposes, except with the prior consent of the GoI. 'Non-forest purposes' do not include uses (including construction of dams) ancillary to the conservation, development or management of forests or wildlife. Contravention of this provision may attract a penalty of imprisonment of up to fifteen days. A Forest Advisory Committee has been constituted under the FCA to advise the GoI on the grant of approvals and other matters relating to forest conservation. The GoI reserves the rights to make rules under the FCA.

The Forest (Conservation) Rules, notified on January 10, 2003 which superseded the Forest (Conservation) Rules, 1981, prescribe the forms in which approvals or renewals of approvals under the FCA are required to be sought.

National Water Policy, 2002

The National Water Policy, notified in 1987 was significantly amended and notified in 2002 by the Ministry of Water Resources, GoI. The National Water Policy notes that water allocation priorities should be broadly as follows: drinking water; irrigation; hydropower; ecology; agro-industries and non-agricultural industries; and navigation and other uses. However, the priorities could be modified or added to, if warranted by region specific considerations. The National Water Policy states that water resource development projects should, as far as possible, be planned and developed as multipurpose projects, with an integrated and multi-disciplinary approach to the planning, formulation, clearance and implementation of projects, including catchment area treatment and management, environmental and ecological aspects, the rehabilitation of affected people and command area development. Planning of projects and economic evaluation of projects in hilly areas should take into account, *inter alia*, possibilities of hydropower development.

Private sector participation should be encouraged in planning, development and management of water resources projects for diverse uses, wherever feasible. Private sector participation may help in introducing innovative ideas, generating financial resources, introducing corporate management and improving service efficiency and accountability to users. Various combinations of private sector participation, in building, owning, operating, leasing and transferring of water resources facilities, may be considered. Water sharing/distribution among the States should be guided by a national perspective with due regard to water resources availability and needs within the river basin. The National Water Policy recommends that the Inter-State Water Disputes Act, 1956, be amended for timely adjudication of water disputes referred to the Tribunal, respective States should formulate their own Water Policies backed by operational action plans in a time bound manner, and that States should evolve their own detailed resettlement and rehabilitation policies for the sector, taking into account the local conditions.

National Resettlement and Rehabilitation Policy, 2007

The National Rehabilitation and Resettlement Policy was notified by the GoI on October 31, 2007, to rehabilitate and resettle persons affected by the acquisition of land for projects of public purpose or involuntary displacement due to any other reason. The policy covers all cases of involuntary displacements. In case of each such project, which involves involuntary displacement of four hundred

or more families *en masse* in plain areas, or two hundred or more families *en masse* in tribal or hilly areas, Desert Development Programme blocks or areas mentioned in the Fifth or Sixth Schedule to the Constitution of India, the appropriate Government shall constitute a committee under the chairpersonship of the Administrator for rehabilitation and resettlement, to be called the Rehabilitation and Resettlement Committee, to monitor progress of implementation of a scheme of rehabilitation and resettlement of the affected families, and to carry out post-implementation social audits.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (“**CLRA**”) require registration of every establishment, including establishments of the GoI and local authorities, in which 20 or more workmen are or were employed on any day in the preceding 12 months as contract labour, and of every contractor who employs or employed 20 or more workmen on any day of the preceding 12 months. The CLRA does not apply to establishments where work performed is of intermittent or casual nature. The GoI and State governments are required to set up Central and State Advisory Boards, which perform advisory functions in relation to matters arising out of the administration of the CLRA.

Under the CLRA, a registered contractor is required to pay wages and ensure disbursement of wages in the presence of an authorised representative of the principal employer. In case of a contractor’s failure to pay wages in part or in full, the principal employer is liable to pay the same. In case the contract labour performs same or similar work as regular workmen, they are entitled to the same wages and service conditions as regular workmen as per the Contract Labour (Regulation and Abolition) Central Rules, 1971.

Trade Union Act, 1926

Trade Unions Act provides for the registration of the trade unions with the Registrars of Trade Unions of their territory. Any seven or more members of a trade union by submitting their names to the Registrar of Trade Unions and otherwise complying with the provisions of the Act with respect to registration may apply for the registration of the Trade Union under the Trade Unions Act. The Act gives protection to registered trade unions in certain cases against civil and criminal action.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on November 7, 1975 under the Companies Act as a private limited company under the name 'National Hydro Electric Power Corporation Private Limited'. The word 'private' was subsequently deleted on September 18, 1976. Our Company was converted to a public limited company w.e.f. April 2, 1986. Pursuant to a shareholders resolution dated March 13, 2008, the name of our Company was changed to its present name 'NHPC Limited' and a fresh certificate of incorporation consequent upon change of name was issued by the RoC, National Capital Territory of Delhi and Haryana, on March 28, 2008.

Changes in our Registered Office

The table below encapsulates changes in registered office of our Company.

Date of resolution	Change in the address of the Registered Office
August 13, 1976	CSMR Building, Near IIT Hostel, Hauz Khas, New Delhi, India
December 29, 1976	'Manjusha', 57, Nehru Place, New Delhi, India
November 9, 1982	'Hemkunt', 98, Nehru Place, New Delhi, India
June 17, 1994*	'NHPC Office Complex', Sector - 33, Faridabad 121 003, Haryana, India

**Pursuant to a special resolution passed at an extraordinary general meeting of shareholders on June 17, 1994 and the order of the Company Law Board, Northern Region, dated January 25, 1995 (Company petition number 322/17/94-CLB) and the certificate issued by the RoC, the registered office of our Company was shifted from New Delhi to the state of Haryana.*

Major events

Year	Event
1975 – 76	Incorporation of our Company
1976 – 77	Transfer of the Loktak hydroelectric project (105 MW) from GoI to our Company
1977 – 78	Transfer of the Baira Siul hydroelectric project (180 MW) from GoI to our Company
1981 - 82	Baira Siul power station (180 MW) in Himachal Pradesh commissioned
1983 – 84	All units of Devghat power station in Nepal commissioned ahead of schedule Loktak power station (105 MW) in Manipur commissioned
1985 – 86	Hydro Power Training Institute set up at the Baira Siul hydroelectric project to train operators and supervisory staff
1986 – 87	First issue of 14% 7 years, redeemable secured non convertible bonds amounting to Rs. 143.64 crore Nuwakot Rural Electrification project in Nepal completed ahead of schedule
1987 – 88	Establishment of a satellite telecommunication network taken up to link various projects of our Company
1989 – 90	GoI upgraded our Company from a Schedule 'B' to a Schedule 'A' corporation
1992 – 93	A full-fledged consultancy wing set up to provide a range of specialised services in the investigation, design, construction and operation of hydel projects Tanakpur power station (120 MW) in Uttarakhand commissioned
1994 – 95	Awarded the lining work of Jawahar Tunnel in Jammu & Kashmir Our Company declared its maiden dividend of Rs. 5 crore for the year ending March 31, 1994 Our Company's registered office started operating from its present building in Faridabad Chamera I power station (540 MW) in Himachal Pradesh commissioned
1995 – 96	Agreement signed for execution of Kurichu hydroelectric project (45 MW) in Bhutan
1997 – 98	Uri power station (480 MW) in Jammu & Kashmir commissioned
1999 – 2000	Rangit power station (60 MW) in Sikkim commissioned

Year	Event
2000 – 01	Three units of 45 MW Kurichu power station in Bhutan commissioned by our Company ahead of schedule
	Our Company and the government of Madhya Pradesh entered into an MoU to affirm the joint commitment to exploit the hydro electric potential of the Narmada basin by completing the Indira Sagar and Omkareshwar projects
	Our Company and the government of Jammu & Kashmir entered into an MoU to exploit the large power potential of the State
2002 – 03	A line of credit for a tenor of 19 years taken from LIC for an amount of Rs. 2,500 crore
	Our Company was accorded ‘AAA’ credit rating for domestic borrowing and ‘BB’ credit rating at par with sovereign rating of international borrowings by Fitch Ratings
2003 – 04	Chamera- II power station (300 MW) in Himachal Pradesh commissioned
2004 – 05	Indira Sagar power station (1,000 MW) of NHDC, a joint venture of our Company and the government of Madhya Pradesh in Madhya Pradesh commissioned
2005-06	ERP initiated under the name project Kiran
2006 – 07	Our Company entered into an agreement with Government of Bhutan for preparation of DPR of Mangdechhu project (672 MW) in Bhutan
2007 – 08	The name of our Company changed to its present name NHPC Limited
	Dulhasti power station (390 MW) commissioned
	Teesta-V power station (510 MW) commissioned
	Omkareshwar power station (520 MW) of NHDC, a joint venture of our Company and the government of Madhya Pradesh, commissioned
	Our Company entered into an MoU with the government of Arunachal Pradesh to execute the Dibang multipurpose hydroelectric project
	Our Company entered into an MoU with the government of Manipur to exploit the hydro electric potential of the tailrace discharge of Loktak Downstream Hydroelectric Project
2008 – 09	Our Company conferred Mini Ratna Category I status by the GoI

Awards and recognitions

We have received the following awards and recognitions for achieving and maintaining high standards in various aspects of our business.

Year	Award/Recognition
2005	Solar Energy Society of India Business Leadership Award for Hydropower for the year 2004
2006	Best Enterprise Award by Indian Institution of Industrial Engineering for Productivity for the year 2005-06
2007	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for the Dhauliganga Power Station for the year 2006
	Golden Peacock Award by World Environment Foundation, New Delhi for Excellence in Environment Management
	Water Digest Award for Best Water Management – PSU by Water Digest Private Limited
	Srishti Guarantors- Cube Awards for Good Green Governance for the year 2005-06
	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for Region II, Banikhet for the year 2006
	Meritorious Award by SCOPE for Corporate Social Responsibility and Responsiveness for the year 2005-06
2008	Power HR Forum Award for Best Practices as a Corporate Citizen for the year 2005-06
	B.M.L. Munjal Award for Excellence in Learning and Development.
	Special Jury Award at Asia Pacific Human Resource Management Congress for Innovative Human Resources (“HR”) Practices.

Year	Award/Recognition
2005	Solar Energy Society of India Business Leadership Award for Hydropower for the year 2004
2006	Best Enterprise Award by Indian Institution of Industrial Engineering for Productivity for the year 2005-06
2007	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for the Dhauliganga Power Station for the year 2006
	Golden Peacock Award by World Environment Foundation, New Delhi for Excellence in Environment Management
	Water Digest Award for Best Water Management – PSU by Water Digest Private Limited
	Srishti Guarantors- Cube Awards for Good Green Governance for the year 2005-06
	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for Region II, Banikhet for the year 2006
	Meritorious Award by SCOPE for Corporate Social Responsibility and Responsiveness for the year 2005-06
	Power HR Forum Award for Best Practices as a Corporate Citizen for the year 2005-06
	Best Enterprise Award – 2 nd Prize by SCOPE – Forum of Women in Public Sector (WIPS) for Women Empowerment Initiatives for the year 2007
2008	Amity Award for Best Corporate Social Responsibility Practices for the year 2007
	Annual Greentech Environment Excellence Award by Greentech Foundation, New Delhi, for the year 2007

Certifications

We have received the following certifications in various aspects of our business:

Year	Certification
2002	ISO 14001: 2004 by the Bureau of Indian Standards for: - office activities related to planning, investigation, design and engineering, obtaining statutory clearances, financing procurement of works and services for execution, commissioning, operation and maintenance of hydroelectric power projects - service activities like canteen, operation of D.G. sets, security and horticulture for the office.
2005	IS/ISO 9001: 2000 by the Bureau of Indian Standards for Quality Management Systems Certification
2007	Standard IS 18001: 2000 by the Bureau of Indian Standards for Occupational Health and Safety Management Systems Certification

Our Main Objects

Our main objects, as contained in our Memorandum of Association are:

Particulars	Clause
Development of Power	1.(a) To plan, promote and organise an integrated and efficient development of power in all its aspects through hydroelectric, wind, tidal, geo-thermal, gas power in India and abroad including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution, trading and sale of power generated at stations in accordance with the national economic policy and objectives laid down by the Central Government from time to time and

Particulars	Clause	
	(b)	release of water and other needs to the State Govt. as per the agreed parameters. To undertake, where necessary, the construction of inter-state transmission lines and ancillary works for timely and coordinated inter-state exchange of power.
Co-ordination and Control	2.	To coordinate the activities of its subsidiaries to determine their economic and financial objectives/targets and to review, control, guide and direct their performance with a view to secure optimum utilisation of all resources placed at their disposal.
Agent of Public Sector-Financial Institutions	3.	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 preparation of preliminary, feasibility and definite project reports, construction, generation, operation, maintenance of power stations and projects, transmission, distribution, trading 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.
Manufacturing, Trading and other business	4.	To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution and sale of power, power development, including forward, backward or horizontal integration ancillary and other allied industries and for that purpose to install, operate and manage all necessary plants, establishments and works.

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Resolution	Details
September 30, 1981	The authorised share capital of our Company was increased from Rs. 2,00,00,00,000 comprising 20,00,000 Equity Shares of Rs. 1,000 each to Rs. 4,00,00,00,000 comprising 40,00,000 Equity Shares of Rs. 1,000 each.
December 30, 1985	The authorised share capital of our Company was increased from Rs. 4,00,00,00,000 comprising 40,00,000 Equity Shares of Rs. 1,000 each to Rs. 8,00,00,00,000 comprising 80,00,000 Equity Shares of Rs. 1,000 each.
August 28, 1989	The authorised share capital of our Company was increased from Rs. 8,00,00,00,000 comprising 80,00,000 Equity Shares of Rs. 1,000 each to Rs. 13,00,00,00,000 comprising 1,30,00,000 Equity Shares of Rs. 1,000 each.
September 28, 1990	The authorised share capital of our Company was increased from Rs. 13,00,00,00,000 comprising 1,30,00,000 Equity Shares of Rs. 1,000 each to Rs. 25,00,00,00,000 comprising 2,50,00,000 Equity Shares of Rs. 1,000 each.
June 17, 1994	The registered office of our Company was changed from Delhi to its present registered office at 'NHPC Office Complex', Sector - 33, Faridabad 121 003, Haryana
March 17, 1997	The authorised share capital of our Company was increased from Rs.

Date of Shareholder Resolution	Details
	25,00,00,00,000 comprising 2,50,00,000 Equity Shares of Rs. 1,000 each to Rs. 35,00,00,00,000 comprising 3,50,00,000 Equity Shares of Rs. 1,000 each.
September 18, 1998	The authorised share capital of our Company was increased from Rs. 35,00,00,00,000 comprising 3,50,00,000 Equity Shares of Rs. 1,000 each to Rs. 50,00,00,00,000 comprising 5,00,00,000 Equity Shares of Rs. 1,000 each.
May 28, 1998	The word, “wind and tidal” were added to the main objects.
September 24, 1999	The word, “geo-thermal and gas” were added to the main objects.
September 24, 1999	The word, “and release of water and other needs to the State Govt. as per the agreed parameters” were added to the main objects.
September 27, 2000	The authorised share capital of our Company was increased from Rs. 50,00,00,00,000 comprising 5,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 70,00,00,00,000 comprising 7,00,00,000 Equity Shares of Rs. 1,000 each.
December 31, 2002	The authorised share capital of our Company was increased from Rs. 70,00,00,00,000 comprising 7,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,00,00,00,00,000 comprising 10,00,00,000 Equity Shares of Rs. 1,000 each.
January 27, 2004	The authorised share capital of our Company was increased from Rs. 1,00,00,00,00,000 comprising 10,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,50,00,00,00,000 comprising 15,00,00,000 Equity Shares of Rs. 1,000 each.
March 13, 2007	The authorised share capital of our Company was changed and split from Rs. 1,50,00,00,00,000 comprising 15,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,50,00,00,00,000 comprising 15,00,00,00,000 Equity Shares of Rs. 10 each.
July 17, 2007	The words “in India and abroad”, “trading” and “including forward, backward or horizontal integration” were added to the main objects.

Shareholder Agreements

Our Company has not entered into any shareholder agreements.

Other Agreements

Except as disclosed in the Draft Red Herring Prospectus, there are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us and there are no material agreements entered into more than two years before the date of this Draft Red Herring Prospectus.

Subsidiary

Narmada Hydroelectric Development Corporation Limited (“NHDC”)

Pursuant to an MoU dated May 16, 2000, our Company and the government of Madhya Pradesh have incorporated a joint venture company called the Narmada Hydroelectric Development Corporation Limited (“NHDC”). NHDC was incorporated on August 1, 2000 as a private limited company. NHDC was converted into a public limited company with effect from May 23, 2003 and has its registered office at NHDC Parisar, Near Hotel Lake View Ashoka, Shyamla Hills, Bhopal, Madhya Pradesh. The main objects of NHDC are to, *inter alia*, plan, promote and organise an integrated and efficient development of hydro potential of the Narmada river and its tributaries within the state of Madhya Pradesh.

The equity shares of NHDC are not listed on any stock exchange. It has not been declared a sick company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 and no winding up proceedings have been instituted against NHDC.

Shareholding Pattern as on the date of this Draft Red Herring Prospectus

S. No.	Name of the shareholder	Number of equity shares (of face value of Rs. 1,000 each) held	Shareholding (%)
1.	NHPC Limited	1,00,24,200	51.00
2.	Government of Madhya Pradesh	96,01,600	49.00
	Total	1,96,25,800	100.00

There has not been any change in capital structure in the last six months.

Directors

As on the date of this Draft Red Herring Prospectus, the board of directors of NHDC consists of:

1. Mr. S.K. Garg (Chairman);
2. Mr. K.M. Singh;
3. Mr. Pradip Bhargava;
4. Mr. Jayant Kawale;
5. Mr. R.K. Taneja;
6. Mr. V. K. Bhatia; and
7. Mr. Rajesh Dongre.

Financial Performance

(Rs. in crore except share data)

For the period ended	March 31, 2008	March 31, 2007	March 31, 2006
Total revenue	753.18	561.26	493.71
Profit/loss after tax (as restated)	356.39	260.49	264.06
Share capital/Share capital deposit	1,962.58	1,962.58	1962.58
Reserves and surplus (excluding revaluation Reserves/capital grant)	748.88	508.16	327.41
Earning per share (Rs.)	181.59	132.73	136.55
Book value per share (Rs.)	1,381.58	1,258.92	1,166.83

Joint Ventures

Our Company has entered into three separate memoranda of understanding with the governments of Madhya Pradesh, Arunachal Pradesh and Manipur.

(a) Memorandum of understanding with the government of Madhya Pradesh

The GoI and the government of Madhya Pradesh entered into a MoU dated May 16, 2000 in relation to certain power sector reforms that the government of Madhya Pradesh will implement with the support of the GoI and specifically to affirm their joint commitment to exploit the hydroelectric potential of the Narmada basin by completing the Indira Sagar and Omkareshwar projects. This MoU provides that the Indira Sagar and Omkareshwar projects would be completed through a joint venture

between the government of Madhya Pradesh and our Company. The salient terms of the MoU are set out below:

- Our Subsidiary NHDC is responsible for executing and thereafter operating the unit I and unit III of the Indira Sagar and Omkareshwar projects.
- The equity contribution by the government of Madhya Pradesh shall be by way of expenditure incurred by it so far in units I and III of the Indira Sagar and Omkareshwar projects. Further, the government of Madhya Pradesh will bear the cost of the irrigation canal network (unit II) of the two projects.
- Our Company has a major share i.e. not less than 51% of the shareholding in NHDC.
- The government of Madhya Pradesh has the right to purchase our Company's shareholding in NHDC in accordance with mutually agreed terms.
- The government of Madhya Pradesh is entitled to 12% of the power generated by the projects, free of cost. Of the remaining portion, the government of Madhya Pradesh has the right to purchase power to the extent of its shareholding in NHDC and the balance power will be allocated by the GoI as per its policy. Further, the irrigation benefits arising out of the two projects shall accrue to the government of Madhya Pradesh. In addition, the government of Madhya Pradesh has rights over the revenue receipts arising out of submergence of areas by projects and rights in fisheries, navigation, exploitation of tourism potential, etc.
- The joint venture NHDC shall have no objections to the implementation of the proposed Malwa Lift Irrigation Scheme by the government of Madhya Pradesh.
- The ownership of the two dams and the power houses vests in NHDC.
- No state taxes would be levied on account of transfer of ownership of unit I and unit III of the projects from the government of the Madhya Pradesh to the joint venture.
- NHDC would comply with the provisions of the Narmada Water Disputes Tribunal Award and the directions of the Narmada Control Authority, its various sub groups and the review committee of the Narmada Control Authority.
- The work of resettlement and rehabilitation of the oustees of the two projects is the joint responsibility of NHDC and the government of Madhya Pradesh. The entire cost incurred on this would be borne by NHDC.

(b) Memorandum of agreement with the government of Arunachal Pradesh

Our Company has entered into a memorandum of agreement dated June 24, 2007 with the government of Arunachal Pradesh, whereby it was agreed that our Company alone would execute the Dibang multipurpose hydroelectric project on ownership basis without any equity participation of the State government subject to techno-commercial viability and clearance of project by the CEA and MoEF. The memorandum of agreement sets out the rights and obligations of the parties to construct, commission and operate the Dibang multipurpose hydroelectric project. The salient terms of the memorandum of agreement are set out below:

- The government of Arunachal Pradesh shall be entitled to 12% of the power generated by the projects, free of cost in terms of the guidelines issued by the GoI. Further, of the remaining portion, the State government/Arunachal Pradesh Power Development Corporation Limited has the right to purchase power as per the power sharing formula of the Central government. The balance power would be allocated by the GoI in accordance with its policy.
- Our Company shall pay an amount of Rs. 225 crore as advance to the government of Arunachal Pradesh for Dibang multipurpose project, Tawang hydroelectric project stage-I and Tawang hydroelectric project stage-II. This amount is recoverable/adjustable, together with interest at 9 % p.a. to be compounded annually from the value of free power, for which the State government is entitled as tariff from the first hydroelectric project commissioned by our Company and shall be continued to be adjusted from other projects till total amount paid in advance to the State government together with interest are adjusted/recovered.
- Our Company shall ensure that all statutory clearances are obtained from the concerned authorities. The government of Arunachal Pradesh shall facilitate the Company in implementation of its plan and various clearances.
- Our Company is not allowed to sell and/or transfer the power plant to any other party/parties without prior consultation with the government of Arunachal Pradesh. However, our Company retains the right to mortgage the power plant for availing financial assistance.
- Our Company is not allowed to transfer the Project to any third party for development without prior consent of the government of Arunachal Pradesh.
- Our Company will not have any objection to the implementation by the State government of other schemes proposed to be executed in the upstream and downstream as also in the vicinity of the project, provided that the same does not adversely affect the viability and functioning of the Dibang multipurpose project.
- The ownership of the project shall vest with our Company. However, it would be the prerogative of the Company to execute the project independently or through joint venture participation with any party.
- Our Company shall be responsible for the trading and sale of power generated from the project and the government of Arunachal Pradesh will not be in any way responsible for the same.
- The total land required for the Project shall be transferred to our Company by the government of Arunachal Pradesh on a perpetual lease basis against payment of land revenue as per approved rates of the government of Arunachal Pradesh.
- Our Company shall pay royalties on forest produces, river bed materials and any other construction materials and all statutory taxes as applicable to GoI and government of Arunachal Pradesh.
- The work of resettlement and rehabilitation of the oustees of the project shall be executed by the government of Arunachal Pradesh. The entire cost incurred on this would be borne by our Company.
- Memorandum of agreement in respect of the Subansiri Lower Hydroelectric Project shall be signed by the parties subsequent to the resolution of a pending litigation and the government of

Arunachal Pradesh undertakes to provide all possible assistance and support to our Company for early execution of this project.

(c) Memorandum of Understanding with the government of Manipur

Our Company has on September 14, 2007, entered into an MoU with the government of Manipur to affirm our joint commitment to exploit the hydro electric potential of tailrace discharge of Loktak hydroelectric project supplemented by the Leimatak river, by taking up and completing the already sanctioned Loktak Downstream Hydroelectric Project through a joint venture, to be set up between the parties. The MoU sets out the rights and obligations of the parties to construct, commission and operate the Loktak hydroelectric project. The salient terms of the MoU are set out below:

- Our Company shall have a share up to 74% and the government of Manipur not lesser than 26%. The benefits of the joint venture shall be shared by respective parties in the portion of their actual contribution in the shareholding of the proposed joint venture.
- The government of Manipur shall be entitled to 12% of the power generated by the project, free of cost provided an additional grant of Rs. 100 crore is received by the government of Manipur, for the project from the Ministry of Finance, GoI or any other source. The government of Manipur would purchase the entire power from the project. The joint venture shall be allowed to sell power to other buyers in the event of non-fulfillment of the obligation by the parties.
- The ownership of the project shall vest with the joint venture.
- The government of Manipur has rights over the revenue receipts arising out of submergence of areas by projects and rights in fisheries, navigation and exploitation of tourism potential.
- The work of resettlement and rehabilitation of the oustees of the project would be the joint responsibility of the parties. The entire expenditure incurred on this account would be borne by the joint venture company.
- The right to purchase share holdings of the other party in the joint venture shall be in accordance with mutually agreed terms between the government of Manipur and our Company.
- The government of Manipur shall transfer to the joint venture free of cost on ownership basis the government land required for the permanent structure/works and which is necessary for the construction, operation and maintenance of project.
- The handing over and taking over of the ownership of the project to the joint venture shall be completed within three months from the date of inception of the joint venture company.

The joint venture company proposed to be incorporated pursuant to the above MoU has not yet been constituted.

Entities in which our Company has equity investment

PTC India Limited

In addition to holding equity investment in our Subsidiary, NHDC, our Company holds equity investment and is one of the promoters of PTC India Limited (“PTC”) (formerly known as Power Trading Corporation of India). PTC was incorporated under the Companies Act on April 16, 1999 and

received its certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancillary services.

Initially, PTC was promoted by PGCIL, NTPC Limited and PFC Limited, pursuant to a promoter's agreement dated April 8, 1999. Subsequently, our Company also became a promoter of PTC through a supplementary agreement dated November 29, 2002. Under the promoter's agreement, our Company has the right to nominate one part-time director of PTC and our consent is necessary for the appointment of the chairman, managing director and whole-time directors of PTC.

PTC has allotted 7,74,19,000 equity shares of Rs. 10 each at the issue price of Rs. 155 per equity share aggregating an issue size of Rs. 1,199.99 crore in favour of QIBs on January 15, 2008 as per Chapter XIII-A of the SEBI Guidelines.

Shareholding Pattern on the date of this Draft Red Herring Prospectus

S. No.	Name of the shareholder	Number of shares held	Percentage of shareholding (%)
1.	NHPC Limited	1,20,00,000	5.28
2.	NTPC Limited	1,20,00,000	5.28
3.	Power Finance Corporation Limited	1,20,00,000	5.28
4.	Power Grid Corporation of India Limited	1,20,00,000	5.28
5.	Others including public	17,94,19,000	78.88
	Total	22,74,19,000	100.00

Board of Directors

As on the date of this Draft Red Herring Prospectus, the board of directors of PTC consists of:

1. Mr. T.N. Thakur (Chairman and Managing Director);
2. Mr. Gireesh Pradhan, Independent Director;
3. Mr. Satnam Singh;
4. Mr. R.G. Yadav;
5. Mr. I.J.Kapoor;
6. Mr. A.B.L. Srivastava;
7. Mr. M.S. Verma, Independent Director;
8. Mr. G.P. Gupta, Independent Director;
9. Mr. D.P. Bagchi, Independent Director;
10. Mr. P. Abraham, Independent Director;
11. Mr. Shashi Shekhar;
12. Mr. Deepak Amitabh; and
13. Ms. Preeti Saran, Independent Director.

Financial Performance

(Rs. in crore except share data)

Particulars	Fiscal 2008	Fiscal 2007	Fiscal 2006
Sales (including rebate on purchase of power and surcharge)	3,906.15	3,766.66	3,108.55
Other income (including income from consultancy services)	43.16	19.29	12.00
Purchase (including rebate on sale of power, scheduling and handling charges)	3,869.36	3,721.65	3,046.68

Particulars	Fiscal 2008	Fiscal 2007	Fiscal 2006
Employee Cost	7.99	5.70	5.65
Other expenses etc.	9.95	9.45	7.58
Profit before amortization, depreciation and prior period item	62.02	49.14	60.64
Amortization and Depreciation	2.95	3.28	3.38
Prior period expenses/(Income)	0.13	0.14	0.22
Profit before tax	58.93	45.72	57.04
Provision for taxation (including deferred tax income)	10.22	10.63	16.45
Profit after tax	48.71	35.09	40.59
Equity share capital	2,27,41,90,000	1,50,00,00,000	1,50,00,00,000
Dividend (including dividend tax)	26.61	17.55	17.10
Reserves (excluding revaluation reserves)	1,252.14	115.57	98.25
Earnings per share (in Rs.)	2.93	2.34	2.71
Book value per share (in Rs.)	65.06	17.59	16.30

Share Quotation

The shares of PTC are listed on the NSE and the BSE.

Highest and lowest price on the NSE in the last six months:

Month	High (Rupees)	Date	Low (Rupees)	Date
February 2008	129.40	February 5, 2008	98.90	February 13, 2008
March 2008	110.40	March 3, 2008	85.05	March 17, 2008
April 2008	106.55	April 23, 2008	88.45	April 4, 2008
May 2008	106.35	May 5, 2008	86.05	May 15, 2008
June 2008	92.70	June 18, 2008	69.00	June 30, 2008
July 2008	80.85	July 28, 2008	67.15	July 2, 2008

Closing price on the NSE as of July 31, 2008 was Rs. 75.25 per share.

Market capitalisation on the NSE as of July 31, 2008 was Rs. 1,711.32 crore.

Highest and lowest price on the BSE in the last six months:

Month	High (Rupees)	Date	Low (Rupees)	Date
February 2008	132.00	February 5, 2008	97.70	February 13, 2008
March 2008	118.00	March 3, 2008	84.50	March 18, 2008
April 2008	109.70	April 23, 2008	86.50	April 7, 2008
May 2008	109.75	May 5, 2008	85.10	May 15, 2008
June 2008	92.40	June 18, 2008	68.50	June 30, 2008
July 2008	80.60	July 28, 2008	66.90	July 4, 2008

Closing price on the BSE as of July 31, 2008 was Rs. 75.26 per share.

Market capitalisation on the BSE as of July 31, 2008 was Rs. 1,711.55 crore.

Promise v. Performance

PTC made an initial public offer in March 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC. The issue proceeds have been utilised for the said purpose. PTC has further allotted 7,74,19,000 equity shares of Rs. 10 each fully paid-up at the issue price of Rs. 155 per equity share aggregating an issue size of Rs. 11,99,99,45,000 in favour of QIBs on January 15, 2008 as per Chapter XIII-A of SEBI Guidelines. The net proceeds of the Issue (after deduction of fees, commissions and expenses) are expected to total approximately Rs. 1,192.36 crore. PTC intended to use the net proceeds of the issue primarily for enhancing its capital adequacy, capitalization of PTC India Financial Services Limited, investment in fuel intermediation, investments in entities in the energy sector, meeting working capital requirements, business related capital expenditure and any other permissible purpose as may be approved by its board of directors.

Power Exchange

The MoP vide letter no F. No. 16/25/2001-DO (NHPC) dated November 30, 2007 gave an in principle consent to the proposal of setting up a joint venture to be co-promoted by our company, NTPC, PGCIL, PFC, Power Trading Corporation and NCDEX for development of a power exchange at the national level. The joint venture will have an authorized share capital of Rs. 50 crore, 50% of which will be shared initially by the promotees in equal proportion. The joint venture will also be subject to strict compliance of guidelines issued by CERC and all the other policy guidelines issued by the Government from time to time.

OUR MANAGEMENT

Currently, under our Articles of Association we are required to have no less than four, and no more than 15 Directors. However, our shareholders in their meeting on August 5, 2008 have approved the increase in the number of directors to 16 subject to the approval of the MoP, which is pending.

We presently have nine Directors, of which two are whole-time Directors, two are Government nominee Directors and five are independent Directors. Additionally, Mr. K. Dharmarajan has been appointed as our Independent Director by MoP letter no. F.No. 16/28/99-NHPC dated July 18, 2008 for a period of three years w.e.f. the date of assumption of charge of the post or until further orders, whichever occurs earlier. However, Mr. Dharmarajan is yet to assume charge.

The following table sets out the current details regarding our Board as on the date of the filing of this Draft Red Herring Prospectus:*

Name, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
Mr. S.K. Garg S/o Late Mr. R.P. Garg Designation: Chairman and Managing Director Occupation: Service DIN: 00055651	57	K-17/4, DLF City Phase II, Gurgaon 122 002, Haryana, India	▪ NHDC
Mr. A.B.L. Srivastava S/o Late Mr. Bisvath Behari Lal Srivastava Designation: Director (Finance) Occupation: Service DIN: 01601682	52	C - 301, Stellar Park, C - 58/24, Sector - 62, Gautam Budha Nagar, Noida 201 301 Uttar Pradesh, India	▪ PTC India Limited
Mr. Gurdial Singh S/o Mr. Nasib Singh Designation: Government Nominee Director Occupation: Service DIN: 00015079	57	B - 3/2, M.S. Flats Sector - 13, R.K. Puram, New Delhi 110 022, India	▪ Tehri Hydro Development Corporation Limited; ▪ Satluj Jal Vidyut Nigam Limited; ▪ North Eastern Electric Power Corporation Limited; and ▪ Jammu & Kashmir State Power Development Corporation.
Mr. Jayant Kawale	52	D - I/72, Chanakyapuri, New Delhi 110 021, India	▪ Tehri Hydro Development Corporation Limited;

Name, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
S/o Mr. Srinivas Kawale Designation: Government Nominee Director Occupation: Service DIN: 00076038			▪ Satluj Jal Vidyut Nigam Limited; and ▪ Narmada Hydroelectric Development Corporation Limited.
Ms. Komal Anand W/o Mr. Arun Anand Designation: Independent Director Occupation: Retired DIN: 01909263	62	16, Nizamuddin East, II nd Floor, New Delhi 110 003, India	Nil
Mr. Arun Kumar Mago S/o Late Mr. Kidar Nath Mago Designation: Independent Director Occupation: Service DIN: 01624833	63	E - 7, Nizamuddin West, New Delhi 110 013, India	▪ YES Bank Limited; ▪ Hindustan Copper Limited; and ▪ Shipping Corporation of India Limited.
Mr. Raman Sidhu S/o Dr. Shivinder Singh Sidhu Designation: Independent Director Occupation: Service DIN: 00121906	50	1505 - B, Beverly Park II, DLF City, Phase II, Gurgaon 122 002, Haryana, India	▪ BHW Home Finance Limited; and ▪ G4S Corporate Services Private Limited.
Mr. R. Jayaseelan S/o Mr. A.J. Ratnasamy Designation: Independent Director Occupation: Service	61	5, Senior Doctor's Residence, Holy Family Hospital, Okhla Road, New Delhi 110 025, India	Nil

Name, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
DIN: 02143850			
Dr. Kuriakose Mamkoottam S/o Late Mr. Varghese Mamkoottam Designation: Independent Director Occupation: Service DIN: 02231128	62	101, Sakshara Apartments, A3 Paschim Vihar, New Delhi 110 063, India	Nil

* Mr. K. Dharmarajan was appointed as our Independent Director through MoP letter no. 16/28/99-NHPC dated July 18, 2008 for a period of three years w.e.f. date of assumption of charge or until further orders, whichever occurs earlier. However, Mr. K. Dharmarajan is yet to assume charge.

Details of Directors*

Mr. S.K. Garg, 57 years, is our Chairman and Managing Director. Mr. Garg holds a bachelor's degree in commerce from Sri Ram College of Commerce, Delhi University. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of India. He has about 35 years of professional experience, which includes five years of experience in the power sector. Prior to joining our Company, he was Executive Director (Finance) in Indian Oil Corporation Limited. He was appointed as our Director (Finance) w.e.f. July 1, 2003 and was further elevated to the post of Chairman and Managing Director w.e.f. January 23, 2007. He is also the Chairman and Managing Director of our Subsidiary NHDC. As the Chairman and Managing Director, he heads our organisation and holds the overall charge of all activities of our Company.

Mr. A.B.L. Srivastava, 52 years, is our Director (Finance). He holds a master's degree in business finance and commerce. He is also a member of the Institute of Chartered Accountants of India. He has served in various organisations and has over three decades of varied experience in the field of finance. He joined REC in the year 1999 as the Chief (Finance) and was promoted as the General Manager (Finance) in the year 2004. During his tenure at REC, he was closely associated with resource mobilization, project evaluation as well as its initial public offering. He was on the board of REC Power Distribution Company Limited, a wholly owned subsidiary of REC. He also served at Uttar Pradesh Financial Corporation. He was also a Lecturer at Banaras Hindu University, Varanasi and D.A.V. College, Kanpur. He is presently a member in the finance committee of Hidayatullah National Law University, Raipur, Chhatisgarh. He joined our Board on February 11, 2008. He is in charge of the overall finance matters of our Company.

Mr. Gurdial Singh, 57 years, is our Government Nominee Director. He holds a bachelor's degree in Electrical Engineering from Punjab University. He has approximately 36 years of experience in various facets of hydro power development including design, engineering, hydro power appraisal, construction monitoring, hydro potential assessment, renovation, modernisation and uprating. He also possesses expertise in non-conventional power development i.e. tidal power projects and tariff related matters. He has served in the CEA in various capacities. Presently, he holds the post of Member (Hydro) in the CEA and also holds the post of *ex officio* Additional Secretary to the GoI. He joined

our Board on December 22, 2004.

Mr. Jayant Kawale, 52 years, is our Government Nominee Director. He holds a master's degree in German from Jawahar Lal Nehru University, New Delhi and a diploma in Public Administration from Ecole Nationale D'Administration, Paris. He is an Indian Administrative Service Officer from the 1981 batch of Maharashtra cadre. He has held key positions including those of Secretary (Energy), Government of Maharashtra; Chairman, Maharashtra State Electricity Board; Managing Director, State Industrial and Investment Corporation of Maharashtra; Chief Executive Officer of Maharashtra Industrial Development Corporation and Development Commissioner (Industries), Maharashtra. He has been the Joint Secretary, MoP, GoI since February 2007 where he is in charge of hydropower development. He is also the Chief Vigilance Officer of the Ministry. He joined our Board on September 6, 2007.

Ms. Komal Anand, 62 years, is our Independent Director. She holds a bachelor degree in Arts from Lady Shri Ram College, Delhi University and master's degree in Political Science from Delhi University. She also holds a post graduate diploma in Business Management (Marketing) and a master's degree in the History of Arts. She joined the Indian Administrative Service in the year 1968 and belonged to the Haryana cadre. She has served in various positions in the State and Central Governments for approximately 38 years. As the Secretary, Ministry of Health and Education in the Haryana Government, she implemented new schemes for women and children including introduction of reproductive and child health programme in the state. She was also involved in all policy matters relating to family welfare, immunization and malaria eradication programmes. She has also served as the Joint Secretary in the Ministry of Culture, GoI. She has also functioned as the Director General of the Archaeological Survey of India from 2000-2002 and implemented important heritage projects and has been involved in the introduction of public-private partnership for the preservation of monuments. As the Secretary, Ministry of Company Affairs, she was involved in the preparation and introduction of Companies Amendment Act, 2006 into the Parliament and successfully completed the implementation of e-governance with the launch of MCA 21 all across the country. She has also served as a member on the Board of SEBI. She joined our Board on April 2, 2008.

Mr. Arun Kumar Mago, 63 years, is our Independent Director. He holds a master's degree in Physics and an M. Phil. degree in Social Sciences. He also holds diplomas in management and public finance from Paris and in public administration from Delhi. He joined the Indian Administrative Service in the year 1967. He has administrative and management experience of over 37 years and has worked in different capacities in both Central and State governments in several sectors including energy, power, port, urban infrastructure, industries, environment and forests. He has expertise in the fields of policy, planning and implementation in power, port and urban infrastructure sectors. He was also the former Chairman of Maharashtra State Electricity Board and the Mumbai Port Trust. He has also been the Managing Director of Maharashtra Petro Chemicals Corporation and the Commissioner of Food and Drug Administration. He retired in the year 2004 as the Chief Secretary, Government of Maharashtra. He joined our Board on April 3, 2008.

Mr. Raman Sidhu, 50 years, is our Independent Director. He holds a bachelor's degree in Economics from St. Stephen's College, Delhi University. He is also qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales, U.K. He has an experience of 24 years in the field of investment and corporate banking in India and two years in insolvency and liquidation business in London, U.K. Presently, he is the Director, Corporate Affairs, India in Fidelity Fund Management Private Limited. Prior to this assignment, he was the Director, HSBC Securities and Capital Markets (India) Private Limited and has been associated with HSBC for over nine years. Prior to that he was the Director, Corporate and Investment Banking with Barclays Bank Group in India. Before joining Barclays, he worked with ANZ Grindlays Bank in India and

worked in various managerial capacities in personal banking, international finance and investment banking. He was on the panel of consultants with the Commonwealth Secretariat and has served on behalf of the Secretariat as an advisor to the Ministry of Industry, Government of Trinidad and Tobago. He has also been on the banking and finance committees of various key chambers of commerce in India including Federation of Indian Chambers of Commerce & Industry (“FICCI”), Associated Chamber of Commerce and Industry in India, Bombay Chamber of Commerce, PHD Chamber of Commerce and Indian Merchant Chambers. He is currently the Deputy Chairman, Capital Markets Committee of the Bombay Chamber of Commerce and Industry and a member of the Capital Markets Committee of FICCI. He is also a member of the ‘Core Group’ on Corporate Governance Norms for Institutional Investors which was constituted by the National Foundation for Corporate Governance under the Ministry of Company Affairs, GoI, in cooperation with Confederation of Indian Industries. He joined our Board on April 7, 2008.

Mr. R. Jayaseelan, 61 years, is our Independent Director. He obtained the degree of bachelor of Engineering (Civil) from the University of Madras in the year 1967. He also holds a master of Technology degree in Structural Engineering from the Indian Institute of Technology, Madras. Further, he also obtained a postgraduate diploma in Hydropower from the Norwegian Technical Institute, Trondheim in the year 1979. He has a wide experience of approximately 39 years in the field of water resources development, planning, design, monitoring and related research. His areas of expertise include planning and design of hydropower schemes, hydrological observations, flood forecasting and monitoring of projects. He joined the Central Water commission in December 1969 as the Assistant Director and has held important positions and handled several prestigious projects. He has also been a member of several committees including Vice President, International Commission on Irrigation and Drainage. He has also worked with the Water and Power Consultancy Services (India) Limited over a period of seven years on consultancy assignments in India and abroad. He has widely travelled to a number of countries including the USA, Norway, China, Japan, Indonesia, Laos under various programmes and has participated in a number of national and international seminars. He retired as the Chairman, Central Water Commission in November 2006. He joined our Board on April 23, 2008.

Dr. Kuriakose Mamkoottam, 62 years, is our Independent Director. He holds a master’s degree in Sociology from the Delhi School of Economics, University of Delhi. He also received his Ph.D. from the University of Delhi in 1977. He has experience of over 36 years in the field of human resource management and industrial relations. He is currently the Professor of Human Resource Management and Industrial Relations, Faculty of Management Studies, University of Delhi. He has held various other positions like, *inter alia*, non-executive member on the boards of various organisations, director at Centre for Applied Behavioural Sciences and Action Research and research and consulting faculty at Sri Ram Centre for Industrial Relations and Human Resources. He has conducted extensive research and completed several projects in the areas of worker trade unionism, managerial unionism, ethno-agriculture, new technology and human resource management in India, South Asia and Europe. He has undertaken consulting and training for, *inter alia*, International Labour Organisation; Skills Development Fund (Sri Lanka), Nepal Industrial Relations Forum, Indian Oil Corporation Limited, Airport Authority of India, Planning Commission-GoI, Department of Posts. He was also the India - EEC Fellow at ESADE Business School, Barcelona in the year 1989-90. He has authored over 35 publications on labour and trade union issues. He joined our Board on June 17, 2008.

** Mr. K. Dharmarajan is yet to assume charge. Details will be updated at the time of filing the Red Herring Prospectus.*

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution passed by our shareholders on September 15, 2004 in accordance with the provisions of the Companies Act, and our Board has been authorised to borrow money for the purposes of our Company upon such terms and conditions and with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 26,000 crore.

Details of Appointment of our Directors*

Name of Directors	Appointment Letter/MoP Order	Term
Mr. S.K. Garg	Appointment vide MoP Letter No. F. No. 9/2/2006-DO (NHPC) dated January 22, 2007 w.e.f. January 23, 2007	Appointment as the Chairman and Managing Director of our Company w.e.f. January 23, 2007 until the date of superannuation or until further orders, whichever event occurs earlier.
Mr. A.B.L. Srivastava	Appointment through MoP Letter no. 9/3/2006-NHPC dated January 3, 2008	Appointment for a period of five years w.e.f. February 11, 2008 or till date of his superannuation or until further orders, whichever is earliest.
Mr. Gurdial Singh**	Appointment through MoP Letter No. 16/28/1999-DO(NHPC) dated December 22, 2004	Appointment w.e.f. December 22, 2004.
Mr. Jayant Kawale**	Appointment through MoP Letter no. 16/28/99-DO (NHPC) dated September 6, 2007	Appointment with immediate effect from September 6, 2007.
Ms. Komal Anand	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 2, 2008 or until further orders, whichever occurs earlier.
Mr. Arun Kumar Mago	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 3, 2008 or until further orders, whichever occurs earlier.
Mr. Raman Sidhu	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 7, 2008 or until further orders, whichever occurs earlier.
Mr. R. Jayaseelan	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 23, 2008 or until further orders, whichever occurs earlier.
Dr. Kuriakose Mamkoottam	Appointment through MoP Letter No. 16/28/99-NHPC dated June 3, 2008	Appointment for a period of three years w.e.f. June 17, 2008 or until further orders, whichever occurs earlier.

* Mr. K. Dharmarajan was appointed as our Independent Director through MoP letter no. 16/28/99-NHPC dated July 18, 2008 for a period of three years w.e.f. date of assumption of charge or until further orders, whichever occurs earlier. However, Mr. K. Dharmarajan is yet to assume charge.

** The appointment is at the discretion of the President and shall be subject to such terms and conditions as may be deemed fit by the President from time to time, in accordance with the Articles of Association of the Company.

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with us along with certain post retirement medical benefits, no other Director is entitled to any benefit upon termination of his employment with us.

Remuneration of our Directors

The following table sets forth the details of the gross remuneration for the whole-time directors for the period between April 1, 2007 and March 31, 2008. Our directors are also entitled to benefits/facilities such as official vehicle, medial reimbursements, leave travel concessions, gratuity, reimbursements for maintenance of a residential office and official entertainment.

(in Rs.)

S. No.	Name	Basic Salary	Dearness Allowance	House Rent Allowance/Lease	Other benefits	Gross Total
1.	Mr. S.K. Garg	3,79,260	2,81,350	2,64,600	3,57,785	12,82,995
2.	Mr. A.B.L. Srivastava*	42,621	33,501	51,310	55,846	1,83,278

*Mr. A.B.L. Srivastava joined our Company on February 11, 2008.

Mr. Gurdial Singh and Mr. Jayant Kawale, our government nominee Directors, are not entitled to any remuneration or fees from us as they have been nominated by the MoP, GoI. Our independent directors shall be paid sitting fees of Rs. 10,000 per meeting for attending various Board and committee meetings as per board resolution dated April 9, 2008.

Details of terms and conditions of employment of our whole-time Directors

Detailed terms and conditions of employment of Mr. A.B.L. Srivastava are yet to be notified by the GoI. The terms and conditions governing the appointment of Mr. S.K. Garg is as under:

1. Letter No. 20/1/2002-DO (NHPC) dated May 17, 2007 from the MoP, GoI to our Company regarding terms of appointment of Mr. S.K. Garg.

Mr. S.K. Garg was appointed as Chairman and Managing Director of our Company by the President of India pursuant to MoP Letter No. F. No. 9/2/2006-DO (NHPC) dated January 22, 2007 w.e.f. January 23, 2007. The terms of the said employment have been set out in the letter no. 20/1/2002-DO (NHPC) dated May 17, 2007.

(i) The terms and conditions governing the appointment of Mr. S. K. Garg are as under:

Term	Appointment w.e.f. January 23, 2007 till the date of superannuation or until further orders, whichever event occurs earlier. The appointment may however be terminated during this period by either side on three month's notice or on payment of three month's salary in lieu thereof.
Basic salary	Rs. 31,500 plus personal pay (protection) of Rs. 100 per month in the existing scale of Rs. 27,750-750-31,500 at the time of appointment.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprises' Office Memorandum dated June 25, 1999.

Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. Entitled to house rent allowance if our Company is not able to provide accommodation or if he prefers to stay in a house taken by him on rent basis. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. S.K. Garg. In case of furnished accommodation, an additional recovery at the rate of 2.5% would be made per month.
Annual Increment	One Stagnation Increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date he reaches the maximum of his pay scale. He will be granted a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for private use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance, leave travel concession etc. as per Company rules.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per Department of Public Enterprises' Office Memorandum dated June 25, 1999 and March 27, 2000.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminous with his tenure as Chairman and Managing Director.

- (ii) After retirement of services from our Company, Mr. S.K. Garg shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

Corporate Governance

At present, we have five independent Directors on our Board. We are currently in compliance with all the requirements under Clause 49 of the Listing Agreement.

(a) Audit Committee

Our Audit Committee was constituted vide board resolution dated January 23, 2001. Our board reconstituted the audit committee on May 30, 2008 comprising the following members:

- (1) Mr. Gurdial Singh (Government Nominee Director) - Chairman of the committee;
- (2) Mr. Jayant Kawale (Government Nominee Director);
- (3) Mr. Raman Sidhu (Independent Director);
- (4) Mr. Arun Kumar Mago (Independent Director); and
- (5) Ms. Komal Anand (Independent Director).

The terms of reference of the Audit Committee are and will be in accordance with the Listing Agreement as amended from time to time and include the following:

- (a) Overseeing our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;

- (b) Recommending the Board regarding the fixation of the audit fee;
- (c) Approval of payment of statutory auditors for any other services rendered by them;
- (d) Reviewing with the management the half yearly and annual financial statements before submission to the Board;
- (e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- (f) Reviewing the adequacy of internal audit function, 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;
- (g) Discussion with internal auditors regarding any significant findings and follow up thereon;
- (h) 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;
- (i) Discussion with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;
- (j) Reviewing our financial and risk management policies;
- (k) To look into the reason for substantial defaults in payments to depositors, debenture holders, shareholders and creditors;
- (l) To review the functioning of the whistle blowing mechanism, in case the same is formulated;
- (m) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of public or rights issue and making appropriate recommendations to the board to take up steps in this matter; and
- (n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Secretary of the Audit Committee is Mr. Vijay Gupta, Company Secretary. The Audit Committee shall meet at least three times in a year, i.e. once before the finalisation of annual accounts and once in every six months. The quorum for the meetings shall be two members or one third of the total number of members, whichever is higher.

(b) Shareholders' Grievance Committee

Our shareholders' grievance committee was constituted vide board resolution dated April 30, 2002. Our board reconstituted the shareholder's grievance committee on April 29, 2008. The current members of the Shareholder's Grievance Committee are:

- (1) Mr. A.B.L. Srivastava, Director (Finance);
- (2) Mr. Jayant Kawale (Government Nominee Director);
- (3) Mr. R. Jayaseelan (Independent Director); and
- (4) Ms. Komal Anand (Independent Director).

Our Company Secretary is the secretary of the committee. The Shareholder's Grievance Committee shall, *inter alia*, oversee the redressal of shareholder's and/or investors' complaints and/or grievances pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints.

The Shareholder's Grievance Committee shall meet periodically, as it deems fit. The quorum for the committee shall be the presence of one third of the total number of members or two directors, whichever is higher.

(c) Remuneration Committee

We presently do not have any Remuneration Committee. The constitution of a Remuneration Committee is a recommendatory clause under the Listing Agreement. Moreover, as per our Articles of Association, the remuneration payable to our Directors is fixed by the President of India. Therefore, we have not constituted a Remuneration Committee. However, as per our board resolution dated April 9, 2008 it was decided that our independent directors shall be paid Rs. 10,000 per meeting.

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 as on the date of filing of this Draft Red Herring Prospectus:

Name of Directors	Number of Equity Shares (Pre-Issue)
Mr. S.K. Garg*	100
Mr. A.B.L. Srivastava*	100
Mr. Gurdial Singh*	100
Mr. Jayant Kawale*	100

* as a nominee of the President of India

Interest of our Directors

All of our Directors, except Mr. Gurdial Singh and Mr. Jayant Kawale, may be deemed to be interested to the extent of remuneration and fees paid to them for services rendered as a Director of our Company and reimbursement of expenses payable to them.

All our Directors, except our Independent 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, all 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 Draft Red Herring Prospectus. Such 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 Draft Red Herring Prospectus. For details of the related party transactions, see "**Financial Statements**" on page 148.

Changes in our Board of Directors during the last three years *

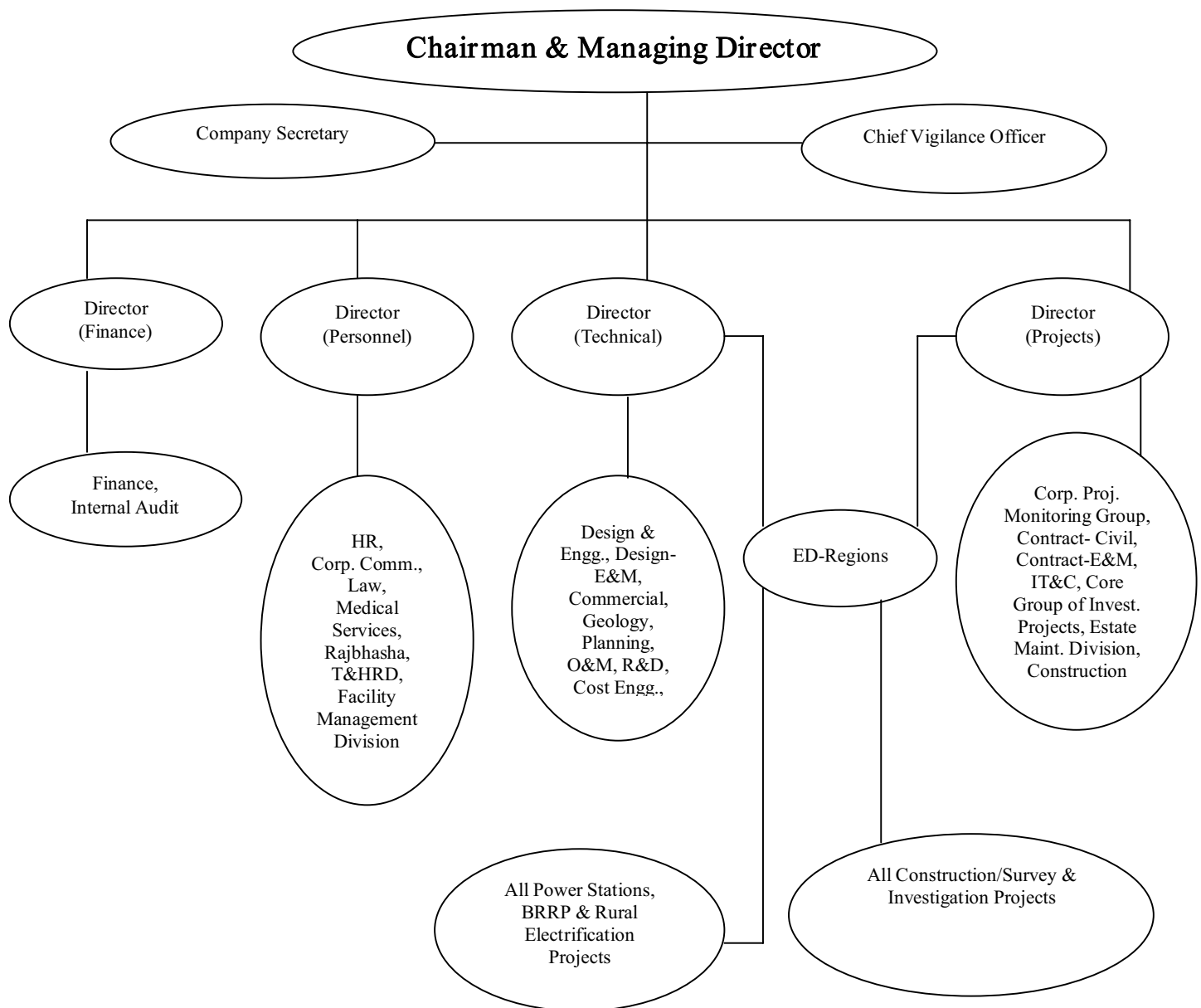
The changes in our Board of Directors in the last three years are as follows:

Name	Date of Joining	Date of Cessation	Reason
Mr. A.K. Gangopadhyay	July 7, 2000	September 30, 2005	Retired.
Mr. S.K. Garg, Chairman and Managing Director	Appointed as Director (Finance) w.e.f. July 1, 2003. Subsequently, appointed as Chairman and Managing Director w.e.f. January 23, 2007	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. S.P. Sen, Director (Technical)	August 4, 2005	May 8, 2008	Voluntary Retirement.
Mr. A.K. Kutty, Government Nominee Director	February 18, 2003	August 14, 2007	Relinquishing the charge of Joint Secretary (Hydel) on repatriation to parent cadre.
Mr. Jayant Kawale, Government Nominee Director	September 6, 2007	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. A.B.L. Srivastava, Director (Finance)	February 11, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Ms. Komal Anand, Independent Director	April 2, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Arun Kumar Mago, Independent Director	April 3, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Raman Sidhu, Independent Director	April 7, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. R. Jayaseelan, Independent Director	April 23, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Dr. Kuriakose Mamkootam, Independent Director	June 17, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. S. K. Chaturvedi, Director (Personnel)	October 8, 2004	July 31, 2008	Appointment as Chairman and Managing Director of PGCIL.
Mr. S.K. Dodeja, Director (Projects)**	August 31, 2006	July 31, 2008	Superannuation

* Mr. K. Dharmarajan was appointed as our Independent Director through MoP letter no. 16/28/99-NHPC dated July 18, 2008 for a period of three years w.e.f. date of assumption of charge or until further orders, whichever occurs earlier. However, Mr. K. Dharmarajan is yet to assume charge.

** Mr. S.K. Dodeja has received the additional charge for the post of Director (Technical) of our Company by MoP letter dated May 26, 2008 w.e.f. from May 26, 2008 till July 31, 2008 or until the post of Director (Technical) is regularly filled or till further orders, whichever event is earlier.

Organisation Structure:



Note: Regional EDs report to Director (Technical) for power stations and Director (Projects) for Construction/Survey & Investigation projects.

Key Managerial Employees

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.

Mr. A.B. Aggarwal, 51 years, is designated as the Executive Director (Subansiri Basin Projects). He holds a bachelor's degree in mechanical engineering from Aligarh Muslim University, Aligarh. He also holds a master's degree in business administration from IGNOU. He has a career spanning approximately 29 years in the power sector. He has experience in operation and maintenance of power stations, commercial function, contracts function and research and development. He joined our Company on February 6, 1979. He is in charge of all the projects relating to the Subansiri Basin.

Mr. A.K. Sarkar, 51 years, is designated as the Executive Director (Cost Engineering). He holds a bachelor's degree in mechanical engineering from Jadavpur University, Kolkata and a diploma in Financial Management from IGNOU, Delhi. He has a career spanning approximately 28 years in the power sector. He has experience in planning, construction, management and operation of hydropower projects. He joined our Company on February 1, 1980. He is in charge of the cost engineering functions of our Company.

Mr. D.P. Bhargava, 52 years, is designated as the Executive Director (Projects). He holds a bachelor's degree in electrical engineering from Roorkee University. He has a career spanning approximately 27 years in hydroelectric projects. He has experience in carrying out studies in power potential and optimization, innovative maintenance and operation procedures adopted at Nathpa Jhakri Power Corporation Limited which have resulted in record generation and availability of machines. He was involved in testing and commissioning of almost all the power stations/sub-stations of our Company except those built on turnkey basis. He was working with Nathpa Jhakri Power Corporation Limited (Satluj Jal Vidyut Nigam Limited) on deputation as the General Manager and the Executive Director (Projects), prior to joining us on February 20, 1979. He is presently in charge of the construction project monitoring group at our corporate office. Prior to this, he was the chief executive director of our Subsidiary.

Mr. Dayal Mathur, 55 years, is designated as the Executive Director (Human Resource). He holds a master's degree in social work from the University of Udaipur. Prior to joining our Company, he worked in the private sector. He has a career spanning approximately 26 years in the power sector. He has experience in project and corporate human resource management in the hydropower sector. He joined our Company on December 18, 1981. He is heading the Human Resource Division of our Company.

Mr. Digvijai Nath, 55 years, is designated as the Executive Director (Dibang & Tawang Basin Projects). He holds a bachelor's degree in science having specialised in electrical engineering from Kanpur University, Kanpur. He has a career spanning approximately 34 years in total including 25 years in the power sector. He has expertise in projects and contract management. He was conferred with the DCL National Award 2003-2004 and has published and presented many technical papers in national and international forums. He was working with the Uttar Pradesh SEB, prior to joining us on February 4, 1983. He is currently working as the regional head for development of various hydroelectric projects in Dibang, Siang and Tawang basins of Arunachal Pradesh. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.13 crore.

Dr. Gopal Dhawan, 52 years, is designated as the Executive Director (Engineering, Geology and Geotech). He completed M. Tech. in Applied Geology from Roorkee University and Doctorate in

Geology from Indian School of Mines, Dhanbad. He has a career spanning approximately 28 years in the power sector. He has varied experience in geotechnical assessment, planning and management of hydropower projects. He joined our Company on February 1, 1980. He is in charge of engineering, geology and geotech functions of our Company.

Mr. K.S. Nagaraja, 53 years, is designated as our Executive Director (Design and Engineering). He holds a bachelor's degree in civil engineering from Bangalore University and a master's degree in Technology having specialised in water resources engineering from the Indian Institute of Technology, Delhi. He has experience in the field of designing of hydroelectric projects and has approximately 31 years of work experience in the power sector. He has been associated with the design wing of our Company for all hydroelectric projects as well as turnkey projects abroad. He has been working with us since May 16, 1977. Presently, he is heading the Design and Engineering Division of our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. Kamal Kapoor, 57 years, is designated as our Executive Director (Operation & Maintenance). He holds a bachelor's degree in Science having specialised in electrical engineering from the Delhi College of Engineering, Delhi. He has a career spanning approximately 33 years in total including 29 years in the power sector alone. He has expertise in testing, erection and commissioning of power houses and switch yard for the Loktak power station. He has also worked in the design equipment and maintenance division of our Company and looked after all the equipment and maintenance works related to power house and switchyard. He was working with the CEA, prior to joining us on August 6, 1977. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. M.K. Raina, 55 years, is designated as our Executive Director (Region-I, Jammu). He holds a bachelor's degree in electrical engineering from Kashmir University. He has a career spanning approximately 32 years in the power sector with an expertise in project management, procurement and contracts, construction, management of inspection and quality assurance. He has been working with us since August 20, 1979. He is responsible for all projects/power stations in Region-I, Jammu. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. M.M. Madan, 53 years, is our Executive Director (Contracts-Civil). He holds a bachelor's degree in civil engineering from G.B. Pant University of Agriculture and Technology and also holds a master's degree in business administration from Indira Gandhi National Open University. He is a Fellow of the Institution of Engineers (India) and a Fellow of the Institution of Valuers. He has approximately 32 years of work experience, out of which he has been associated in the field of planning, construction and development of hydroelectric projects alone for the past 31 years alone. Prior to joining our Company on May 18, 1977, he was working in M.N. Dastur & Company, Mumbai, where he was associated with the designing of structures for an iron and steel plant. He has published various technical papers and technical books on tunnel construction. He was awarded the Central Board of Irrigation and Power ("CBIP") I.N. Sinha Award 2001-02 for outstanding contribution in the water resources sector by the CBIP. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.18 crore.

Mr. Nain Singh, 53 years, is our Executive Director (Region II, Himachal Pradesh). He holds a bachelor's degree in technology having specialised in Electrical Engineering from the University of Roorkee. He has a career spanning approximately 28 years in project management, out of which he has about 13 years of experience in planning, design and engineering of hydro power projects, four years in operational aspects of a hydro power station and 11 years on-site experience in construction, erection and commissioning of hydro power stations at Uri, Chamara - I, II and III. He has published

several papers on renovation and modernisation of hydro power stations, tariff fixation of hydro power projects and reduction of construction period of underground power house and tunnelling by using a proper ventilation system. He has been associated with our Company since the inception of his career from May 2, 1980. He is currently in charge of all projects of our Company situated in Himachal Pradesh. Mr. Singh's remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.13 crore.

Mr. Raj Kumar, 53 years, is our Executive Director, BRRP/BREW, Patna. He holds a bachelor's degree in science from Gorakhpur University, a bachelor's degree in electronics from the Indian Institute of Technology, Roorkee and a post graduate diploma in management from IGNOU. Mr. Kumar has a career spanning approximately 31 years in the power sector. He has also worked with the Uttar Pradesh State Electricity Board prior to joining our Company on March 4, 1983. He left our Company in 1986 to join PGCIL. Subsequently, he rejoined our Company on December 31, 1998. He is in charge of all works related with BRRP/BREW, Patna. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.10 crore.

Mr. Ramesh Chandra, 59 years, is designated as our Executive Director (Research and Development). He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology, Roorkee and a post graduate diploma in business administration from The All India Management Association, New Delhi. Prior to joining our Company, he worked with the Public Works Department, Government of Uttar Pradesh. He joined our Company on May 7, 1980 and has substantial experience in the field of project procurement and contracts. He also has wide experience in operation and maintenance including construction of infrastructure works. Presently he is in charge of the research and development function of our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.13 crore.

Mr. Ramesh Chandra, 59 years, is designated as the Executive Director (Quality Assurance and Inspection). He holds a bachelor's degree in civil engineering from Aligarh Muslim University, master's degree in Engineering (Hydraulic Structures) from Aligarh Muslim University, bachelor's degree in law from Delhi University and a diploma in management from the All India Management Association, New Delhi. He has a career spanning about 37 years in the power sector alone. He has experience in hydroelectric projects, investigations, planning, execution, erection, commissioning and operation and maintenance. Prior to joining us on October 16, 1978, he was working with the Uttar Pradesh SEB and the Uttar Pradesh Irrigation Department. Presently, he is responsible to ensure corporate quality assurance and is in charge of all inspection activities to ensure maintenance of highest levels of quality by our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.10 crore.

Mr. R.K. Taneja, 55 years, is our Executive Director (Finance). He is Fellow Member of the Institute of Cost and Works Accountants of India and also holds a bachelor's degree in science and a bachelor's degree in law from Meerut University. He has over 36 years of professional work experience including 16 years of work experience in the power sector alone and has substantial experience in finance and accounts in the PSU sector. He is also a Director on the Board of our Subsidiary, NHDC. He was also the Chairman of the Faridabad chapter of the Institute of Cost and Works Accountants of India for two continuous tenures. Prior to joining our Company on April 10, 1992, he worked with Directorate of Audit Central Revenue and with Bharat Electronics Limited. At present, he is responsible for all financial and budget related matters concerning our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. R.N. Misra, 50 years, is designated as the Executive Director (Commercial). He holds a bachelor's degree in science from Allahabad University, a bachelor's degree in civil engineering from

the Motilal Nehru National Institute of Technology, Allahabad, master's degree in water resources engineering from the Indian Institute of Technology, Delhi and Master of Business Administration in Finance from IGNOU, Delhi. Mr. Misra has a career spanning approximately 29 years in the power sector. He has experience in planning, construction and management of hydropower projects. He joined our Company on June 21, 1979. He is in charge of commercial functions of our Company.

Mr. R.S. Mina, 51 years, is our Executive Director (Consultancy and Business Development). He holds a bachelor's degree in electrical engineering from Maulana Azad College of Technology, Bhopal and a master's degree in business administration having specialised in finance from IGNOU. He has more than 27 years of total work experience including 26 years in the power sector alone and has expertise in consultancy services having handled both international and domestic assignments. He also has expertise in contracts and procurement management. He was working with our Company from May 1, 1981 to November 28, 1991, after which he joined PGCIL. He re-joined our Company on December 18, 1998. He is presently in charge of the consultancy and business development of our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. Subhash Roy, 57 years, is designated as the Executive Director (Region-III, Kolkata). He holds a bachelor's degree in civil engineering from Calcutta University and is a Fellow of the Institute of Engineers (India). He has a career spanning approximately 34 years including 32 years of experience in the power sector alone. Prior to joining us on September 27, 1982, he was working with the government of Tripura, government of Meghalaya and Oil and Natural Gas Corporation. He is currently responsible for monitoring the progress of projects/power stations in the states of Manipur, West Bengal, rural electrification works in the states of Orissa and Chhatisgarh, Bihar and rural road works in Bihar. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.14 crore.

Mr. S.C. Gupta, 54 years, is our Executive Director (Corporate Project Management Group). He holds a bachelor's degree in civil engineering from Punjab University. He has approximately 29 years of work experience in the power sector, having joined our Company since the inception of his career. He has extensive experience in project management and has been closely associated with the construction activities of Kurichu, Dhauliganga and Dulhasti projects. He has been with our Company since March 19, 1979. He heads the Corporate Management Group, which is instrumental in monitoring the progress of all construction projects. Mr. Gupta's remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.10 crore.

Mr. S. C. Sharma, 53 years, is designated as the Executive Director (Uttarakhand). He holds a bachelor's degree in electrical engineering from Punjab Engineering College, Chandigarh. He has a career spanning approximately 29 years in the power sector. He has experience in project management and Operations and Management of power houses. He joined our Company on September 13, 1978. He is in charge of all the Uttarakhand projects.

Mr. S.M. Hussain, 58 years, is designated as the Executive Director (Estate Maintenance Division). He holds a bachelor's degree in science having specialised in civil engineering from Patna University and a post graduate diploma in structure from Patna University. He has a career spanning approximately 35 years including 26 years in the power sector alone. He has been instrumental in the construction of the Tanakpur barrage ahead of schedule. He was working with the Irrigation Department of the government of Bihar, prior to joining our Company on December 14, 1981. He is presently heading the estate management division of our Company. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.16 crore.

Mr. S.R. Roy, 50 years, is our Executive Director (Information Technology and Communication). He holds a bachelor's degree in engineering from the Indian Institute of Technology, Roorkee (Formerly University of Roorkee). He has a career spanning 27 years in the field of information technology. At present, he is responsible for all the activities pertaining to information technology and communication in our Company. He is also managing all activities relating to the implementation of enterprise-wise ERP package in our Company.

Mr. T. Mandal, 59 years, is designated as the Executive Director (Planning). He holds a bachelor's degree in civil engineering from Calcutta University. He has a career spanning over 35 years in total including 28 years in the power sector alone with an expertise in project management and cost engineering. He was working with the Central and State government in organisations such as National Buildings Construction Corporation and Engineering Projects (India) Limited, prior to joining us on December 29, 1979. He is in charge of the planning division. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs.0.11 crore.

Mr. T.N. Gopalakrishna, 53 years, is our Executive Director (Finance). He holds a bachelor's degree in Commerce from Mysore University and is also a Fellow Member of Institute of Chartered Accountants of India. He has about 28 years of work experience in the field of finance, accounts and audit. He was working with our Company from January 14, 1980 to April 30, 1989, after which he worked with North Eastern Electric Power Corporation Limited, Delta Mechcons (I) Limited and Reliance Petroleum Limited. He re-joined our Company on March 24, 1999 as Chief (Finance). He has also been on deputation as Director (Finance) in Indraprastha Power Generation Company Limited and Pragati Power Corporation Limited and was also a Director in NHDC. He is presently responsible for corporate accounts and policy, project monitoring group, tariff, taxation, salary and bills including pension and financial concurrence. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. Vijay Gupta, 47 years, is our Company Secretary. He holds a bachelor's degree in commerce, master's degree in commerce and a bachelor's degree in law from the Delhi University. He is an Associate of the Institute of Cost and Works Accountants of India and is also a Fellow of the Institute of Company Secretaries of India. He has over 21 years of experience which includes 14 years as a qualified Company Secretary. He joined our Company on May 5, 1986 and was appointed as our Company Secretary on June 6, 1996. He was responsible for maintenance of the accounts division of Salal and Tanakpur before joining the Secretarial division of our Company. He has also been appointed by our Company as the Public Information Officer under the Right to Information Act, 2005. His remuneration for Fiscal 2008, including all benefits was Rs. 0.08 crore.

Mr. V.K. Jain, 57 years, is our Executive Director (Transmission and Rural Electrification). He holds a bachelor's degree in electrical engineering from Birla Institute of Technology and Sciences, Pilani, is a Fellow of the Institute of Engineers (India) and also holds a diploma in business management from Canada. He has an aggregate work experience of over 32 years out of which he has been associated in the hydropower sector for approximately 30 years. He has experience in the field of project management specifically with respect to operation and maintenance of power stations, construction of power projects and management and import of heavy equipment for hydro projects. He has also published various technical papers on these subjects. Prior to joining our Company on August 1, 1977, he was working with the CEA. He is in charge of transmission line erection and co-ordination with Central Transmission Utilities ("CTUs") and State Transmission Utilities ("STUs"). Rural electrification works in five states viz. West Bengal, Bihar, Orissa, Chhatisgarh and Jammu & Kashmir are also being looked after by him. He is also responsible for co-ordination with SEBs, arranging funds for projects, project planning and implementation plans, developing the quality and

assurance plan for field quality plans. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.11 crore.

Mr. V. K. Sharma, 55 years, is designated as the Executive Director (Region-IV, Chandigarh). He holds a bachelor's degree in civil engineering from Punjab Engineering College, Chandigarh. Mr. Sharma has a career spanning approximately 31 years in the power sector. He has experience in project management. He joined our Company on May 22, 1979. He has published various technical papers on progress and challenges of private sector development in hydro power, timely implementation of hydroelectric projects through accurate planning and pro-active monitoring. He is in charge of the projects/power stations falling under Region-IV, Chandigarh. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.03 crore.

Mr. K.M. Singh, 50 years, has been deputed as the chief executive director of our Subsidiary, NHDC. He holds a bachelor's degree in electrical engineering from Madan Mohan Malviya Engineering College, Gorakhpur. He has a career spanning approximately 29 years in the power sector. He has experience in project management. He joined our Company on May 22, 1979. He is in charge of all the NHDC projects.

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. N. K. Choudhri, Executive Director (Contracts-Civil)	December 25, 2003	February 28, 2007	Superannuation
Mr. S.D. Tripathi, Executive Director (Commercial)	January 1, 2004	April 30, 2007	Superannuation
Mr. Ramesh Chandra, Executive Director (Research and Development)	January 4, 2004	Continuing	Promotion
Mr. Parminder Singh, Executive Director (Region IV)	January 5, 2004	May 31, 2005	Superannuation
Mr. S.G. Iyer, Executive Director (Law)	February 1, 2004	May 31, 2005	Superannuation
Mr. Subhash Kapoor, Executive Director (Finance and Accounts)	May 14, 2004	September 30, 2006	Superannuation
Mr. T. V. Ramam, Executive Director (Quality Assurance & Inspection)	December 29, 2004	August 9, 2006	Superannuation
Mr. N.R. Shenvi, Executive Director (Cost and Engineering)	May 24, 2004	January 31, 2007	Superannuation
Mr. P.C. Jose, Executive Director	December 29, 2004	March 31, 2007	Superannuation

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
(Information Technology and Communications)			
Mr. Digvijai Nath, Executive Director (Dibang and Tawang Basin projects)	December 29, 2004	Continuing	Promotion
Mr. V.K. Jain, Executive Director (Transmission and Rural Electrification)	December 29, 2004	Continuing	Promotion
Mr. M.K. Raina, Executive Director (Region-I, Jammu)	December 29, 2004	Continuing	Promotion
Mr. S.C. Gupta, Executive Director (Corporate Project Management Group)	December 29, 2004	Continuing	Promotion
Mr. M. M. Madan, Executive Director (Contracts-Civil)	December 29, 2004	Continuing	Promotion
Mr. S.K. Agarwal, Executive Director (Operation and Maintenance)	January 1, 2005	December 31, 2007	Superannuation
Mr. Raj Kumar, Executive Director (BRRP/BREW, Patna)	December 26, 2006	Continuing	Promotion
Mr. K.S. Nagaraja, Executive Director (Design and Engineering)	December 26, 2006	Continuing	Promotion
Mr. D.P. Bhargava, Executive Director (Projects)	December 26, 2006	Continuing	Promotion
Mr. R.S. Mina, Executive Director (Consultancy and Business Development)	December 26, 2006	Continuing	Promotion
Mr. V.K. Kapoor, Executive Director (Contracts-Civil)	December 26, 2006	February 29, 2008	Resigned
Mr. R.K. Taneja, Executive Director (Finance)	December 26, 2006	Continuing	Promotion
Mr. Sanjay Kumar Mittal, Executive Director (Sikkim)	December 26, 2006	April 20, 2007	Resigned
Mr. Nain Singh, Executive Director (Region II)	December 26, 2006	Continuing	Promotion
Mr. Subhash Roy, Executive Director (Region-III, Kolkata)	December 26, 2006	Continuing	Promotion
Mr. T. N. Gopalakrishna, Executive Director (Finance)	December 26, 2006	Continuing	Promotion
Mr. K.P. Singh, Executive Director (Consultancy)	July 30, 2003	July 31, 2007	Superannuation
Ms. O.R. Lalitha, Executive Director (Design and Engineering)	December 25, 2003	June 30, 2007	Superannuation
Mr. A.K. Sachdeva, Executive Director (Research and Development)	November 2, 2002	January 31, 2008	Superannuation
Dr. Gopal Dhawan, Executive Director (Engineering, Geology and Geotech)	December 27, 2007	Continuing	Promotion
Mr. S.R. Roy, Executive Director (Information Technology)	December 27, 2007	Continuing	Promotion
Mr. Dayal Mathur, Executive	December 27, 2007	Continuing	Promotion

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
Director (Human Resources)			
Mr. R.N. Misra, Executive Director (Commercial)	December 27, 2007	Continuing	Promotion
Mr. A.K. Sarkar, Executive Director (Cost Engineering)	December 27, 2007	Continuing	Promotion
Mr. V.K. Sharma, Executive Director (Region-IV, Chandigarh)	December 27, 2007	Continuing	Promotion
Mr. K.M. Singh, Chief Executive Director (NHDC-Bhopal)	December 27, 2007	Continuing	Promotion
Mr. A.B. Aggarwal, Executive Director (Subansiri Basin Projects)	December 27, 2007	Continuing	Promotion
Mr. S.C. Sharma, Executive Director (Uttarakhand)	December 27, 2007	Continuing	Promotion
Mr. V.K. Abbey, Executive Director (Design- Electrical and Mechanical)	December 25, 2003	June 6, 2008	Appointment as chairman and managing director of North Eastern Electric Power Corporation Limited*

** As per letter No. PEE/III/683 dated June 6, 2008, issued pursuant to Order No. 7/6/2006-H.I dated June 5, 2008, Mr. Abbey has been allowed to retain lien in our Company up to January 31, 2010, w.e.f. from the date he takes charge at the North Eastern Electric Power Corporation Limited.*

Employees Share Purchase Scheme/Employee Stock Option Scheme

Currently, we do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

Except for post retirement medical benefits and statutory benefits upon retirement, no other benefits are payable to the employees on our Company upon retirement/superannuation.

OUR PROMOTER AND OUR SUBSIDIARY

Our Promoter is the President of India acting through the MoP, GoI. Our Promoter (including through nominees) currently holds 100% of the paid-up share capital and will continue to hold majority of the post-Issue paid-up capital of our Company.

Subsidiary

We have one Subsidiary, namely, the Narmada Hydroelectric Development Corporation Limited.

For further information on our Subsidiary, see “*History and Certain Corporate Matters*” on page 113.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board 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.

(Rs. in crore except as otherwise stated)

Particulars	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
No. of Equity Shares*	11,18,24,93,430	11,19,82,12,500	10,21,52,82,000	9,42,56,19,700	7,77,56,29,700
Rate of Dividend					
Interim (%)	0.89	0.64	0.63	0.64	0.77
Final (%)	1.79	1.84	1.56	0.85	0.77
Amount of Dividend on Equity Shares	300	278	223	140	120
Interim	100	72	64	60	60
Final	200	206	159	80	60
Total Dividend Tax paid	50.99	45.11	31.28	19.22	15.38

**A stock split was approved at an extra ordinary general meeting of shareholders held on March 13, 2007, resulting in subdivision of each equity share of Rs. 1,000 to 100 Equity Shares of Rs. 10 each.*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts payable, if any, in the future.

Pursuant to the terms of our loan agreements with some of our lenders, 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 thereof or if we are in default of the terms and conditions of such loan agreements.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see “*Financial Statements-Statement of Related Party Transactions*” on page 212.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT ON RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad (Haryana)

Dear Sirs,

- A. We have examined the attached summary of **Restated Unconsolidated Financial Statements**, of NHPC Limited (**the Company**) (*formerly known as National Hydroelectric Power Corporation Limited*), annexed to this report stamped and initialled by us for identification, for the five financial years ended 31st March 2008.

This restated financial statements are based on the accounts audited by us for the year ended March 31, 2008 and March 31, 2007 and by other then statutory auditors' viz. M/s. Batra Sapra & Company, for the year ended on March 31, 2006, March 31, 2005 and March 31, 2004.

These financial statements have been approved by the official authorised by the Board of Directors and are extracted from:

- i. the audited unconsolidated financial statements of the Company for the financial years ended March 2008 and March 31, 2007 which have been audited and reported upon by us.
- ii. the audited unconsolidated Financial Statements of the Company for the year ended March 31, 2006, March 31, 2005 and March 31, 2004 audited by then statutory auditor i.e. M/s Batra Sapra & Company, Chartered Accountants.

These financial statements have been restated after taking into consideration:

- (a) Adjustments for change in the 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) Any adjustments for qualification requiring adjustments in the accounts in respective financial years to which they relate.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report.

The preparation and presentation of these financial statements are the responsibility of the Company's management. These financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

- B. We conducted our audit in accordance with auditing standard 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 test basis, evidence supporting the amount 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 of our opinion.

- C. We have performed such tests and procedures, which, in our opinion, were necessary for the purpose of our examination. These procedures include comparison of the attached financial statements with the Company's audited financial statements for the year 2003-04 to 2007-08.

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

- D. In accordance with the requirements of:

- i. Paragraph B (1) of Part II of Schedule II to the Companies Act 1956.
- ii. The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 issued by SEBI as amended in pursuance of Section II of SEBI Act, 1992 and related clarifications,
- iii. Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as 'the Issue').

- E. We have examined:

- (i) the attached summary of Profit & Loss account, as restated of the Company for the five financial years ended 31st March 2008, as set out in Annexure I, the attached summary of assets and liabilities, as restated of the Company as at the end of the above periods, as set out in Annexure II and the attached Statement of Cash Flows, as restated of the Company for the above periods, as set out in Annexure III; together referred to as '**RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS**'.
- (ii) Other financial statements, as restated relating to the Company, proposed to be included in the Offer Document, as annexed to this report are:
 - (a) Significant Accounting Policies and Notes on Accounts, Change in Accounting policies and Impact of Adjustment of change in Accounting policies, material adjustment and prior period item - (Annexure –IV)
 - (b) Statement of Dividend Paid - (Annexure – V)
 - (c) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
 - (d) Capitalisation Statement of the Company - (Annexure – VII)
 - (e) Statement of Secured Loans - (Annexure – VIII)
 - (f) Statement of Unsecured Loans- (Annexure – IX).
 - (g) Statement of investments- (Annexure – X)
 - (h) Statement of Sundry Debtors - (Annexure – XI)
 - (i) Statement of Loans & advances- - (Annexure – XII)
 - (j) Statement of Other Income - (Annexure –XIII).
 - (k) Tax Shelter Statement - (Annexure – XIV)
 - (l) Statement of Related Party transactions - (Annexure – XV).

- F. Based on our examination of these Restated Unconsolidated Financial Statements of the Company, we confirm that:

- i. These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion, are appropriate and are subject to significant accounting policies and notes thereon as attached in Annexure – IV;

- ii. The Restated Unconsolidated Financial Statements of the Company have been restated after making necessary adjustment and regrouping, with retrospective effect to reflect the Significant Accounting policies being adopted by the Company as at March 31, 2008 as stated in Annexure – IV.
- iii. Based on the above, we are of the opinion that the Restated Unconsolidated Financial Statements of the Company, as attached to this report, read with the significant accounting policies and significant notes to accounts, have been made in accordance with the provisions of paragraph 6.10.2.3 of the SEBI guidelines, and after incorporating
 - a. All the adjustments suggested in Paragraph 6.10.2.7 of the SEBI guidelines.
 - b. Adjustments for changes in the accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reported periods.
 - c. Adjustment for the material amounts in the respective financial years to which they relate.
 - d. Necessary adjustments for qualifications in Auditor's report have been carried out in the Restated Unconsolidated Financial Statements of the Company. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.
- iv. There are no extra-ordinary items that need to be disclosed separately in the accounts.
- v. Without qualifying our opinion, we draw attention to Note A.2 (3) of Annexure IV to this report. The Company adopted the Accounting Standard (AS) 15, "Employee Benefits (Revised)" in preparing the financial statements for the year ended 31st March 2007 onwards. However, for the purpose of the restated statements, AS-15 (revised) has not been applied for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 as the same was not applicable in those years and the impact of which is not readily ascertainable.
- vi. This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **GSA & Associates**
Chartered Accountants

(Sunil Aggarwal)
Partner
Place: Faridabad
Dated: June 27, 2008

Annexure – I
UNCONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED
(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
INCOME					
Sales (\$ Net)	2227.10	1703.43	1546.96	1456.43	1306.81
Contracts and Consultancy Income	326.63	128.81	48.81	22.61	38.29
Interest on Power Bonds & Long Term Advances	209.22	234.08	239.53	239.53	239.53
Other Income	194.38	65.96	45.94	40.43	82.43
TOTAL INCOME	2957.33	2132.28	1881.24	1759.00	1667.06
EXPENDITURE					
Generation, Administration and other Expenses	207.67	143.08	181.31	130.70	116.72
Employees' Remuneration and Benefits	316.78	235.79	198.26	220.50	155.26
Depreciation	443.74	289.99	270.66	248.22	209.69
Interest and Finance charges	445.99	231.75	292.56	328.12	350.66
Provisions	11.43	23.74	8.45	25.58	30.00
Contract and Consultancy expenses	319.10	126.43	50.09	18.18	26.76
Incentive to Beneficiary States	0.00	0.00	75.49	81.25	98.81
TOTAL EXPENDITURE	1744.71	1050.78	1076.82	1052.55	987.90
PROFIT BEFORE TAX	1212.62	1081.50	804.42	706.45	679.16
Provision for Taxation					
Current Tax and Fringe Benefit Tax	127.46	135.53	56.34	73.40	40.48
Deferred Tax	248.13	167.55	187.90	34.32	85.73
Deferred tax recoverable adjustment	(248.13)	(167.55)	(187.90)	(34.32)	(85.73)
Net Taxation	127.46	135.53	56.34	73.40	40.48
Profit after Tax	1085.16	945.97	748.08	633.05	638.68
Balance brought forward	652.21	2802.05	2389.10	1873.42	1412.91
Balance available for appropriation	1737.37	3748.02	3137.18	2506.47	2051.59
Appropriations					
Interim Dividend	100.00	72.00	64.00	60.00	60.00
Proposed Final Dividend	200.00	206.00	159.00	80.00	60.00
Corporate Dividend Tax	50.99	45.11	31.28	19.22	15.38
Transfer to General Reserve	0.00	2800.00	0.00	0.00	0.00
Transfer to bonds redemption reserve	23.75	0.00	27.75	0.00	0.00
Transfer to Self Insurance reserve	83.74	57.34	53.20	48.80	42.79
Amount written back from Self Insurance Reserve	(10.70)	(0.89)	(0.10)	0.00	0.00

Amount written back from bonds redemption reserve	0.00	(83.75)	0.00	(90.65)	0.00
BALANCE CARRIED TO					
BALANCE SHEET	1289.59	652.21	2802.05	2389.10	1873.42
\$ Tariff Adjustment and Advance Against Depreciation has been netted from Sales The Accompanying accounting policies and notes on accounts are an integral part of these statements					

Annexure - II
UNCONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED
(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Fixed Assets (A)					
a) Gross Block	20635.09	12941.93	12753.14	10847.22	10315.98
Less: Depreciation	3262.66	2849.79	2528.58	2242.99	1982.32
b) Net Block	17372.43	10092.14	10224.56	8604.23	8333.66
Capital Work In Progress	6268.16	11356.43	8840.21	8757.70	6975.64
Construction Stores and Advances	1077.34	856.43	778.95	770.14	805.56
Sub total (A)	24717.93	22305.00	19843.72	18132.07	16114.86
INVESTMENTS (B)	3049.22	3322.75	3579.19	3549.19	3466.03
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	91.91	103.54	113.85	164.43	347.57
Inventories	40.17	44.95	51.27	52.05	56.34
Contract Work-in-Progress	699.46	279.98	97.07	42.87	26.58
Sundry Debtors	348.06	307.85	248.20	584.48	597.65
Cash and Bank Balances	1841.27	466.90	542.20	311.68	174.37
Other Current Assets	216.40	161.91	130.93	170.30	67.00
Loans and Advances	843.84	445.31	405.20	388.80	411.66
Sub total (C)	4081.11	1810.44	1588.72	1714.61	1681.17
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	7003.49	4622.79	3973.50	4004.26	4141.35
Unsecured loans	2952.84	2909.16	3193.19	3017.54	2706.43
Deferred Tax Liability (Net)	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1303.26	1245.98	1049.49	999.99	865.17
Current Liabilities & Provisions	3366.85	2173.53	1576.22	1266.94	1220.02
Sub total (D)	14626.44	10951.46	9792.40	9288.73	8932.97
NET ASSETS (A+B+C-D)	17221.82	16486.73	15219.23	14107.14	12329.09
Represented by:					
Share Capital (E)	11182.49	11198.21	10215.28	9425.62	7775.63
Share Capital Deposit (F)	0.00	0.00	20.38	158.89	427.55
GOI Fund Adjustable to equity (G)	0.00	8.83	325.50	333.83	410.92
Reserve and Surplus (H)	6039.67	5305.49	4682.62	4188.80	3714.99
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) (I)	0.34	25.80	24.55	0.00	0.00
NET WORTH(E+F+G+H-I)	17221.82	16486.73	15219.23	14107.14	12329.09

The accompanying accounting policies and notes on accounts are an integral part of these statements

Annexure-III
Unconsolidated Cash Flow Statement from the Restated Financial Statements
(Rupees in crore)

Particulars	Year ended as at				
	31st March' 2008	31st March' 2007	31st March' 2006	31st March' 2005	31st March' 2004
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit (Adjusted) before tax and extraordinary items	1212.62	1081.50	804.42	706.45	679.16
ADD :					
Depreciation	444.37	291.45	367.65	251.34	208.29
Tariff Adjustment/Advance Against Depreciation	57.27	189.33	101.30	221.36	107.77
Interest excluding rebate	427.21	209.13	261.29	298.08	324.05
Others Provisions/Adjustments	6.06	14.44	63.40	16.83	13.78
Exchange Rate Fluctuation	1.21	9.08	2.47	4.45	0.65
Loss/(Profit) on Sale of Assets/Project	(53.38)	0.05	(0.45)	1.11	6.68
Dividend Income	(36.06)	(12.12)	(4.46)	(2.26)	(0.10)
Sub-Total	846.68	701.36	791.20	790.91	661.12
Operating profit before working capital adjustments	2059.30	1782.86	1595.62	1497.36	1340.28
Adjustments					
(Increase)/Decrease in Inventories	(5.76)	(2.19)	(4.60)	0.16	9.53
(Increase)/Decrease in Contract Work in Progress	(419.49)	(182.91)	(54.20)	(16.29)	(16.11)
(Increase)/Decrease in Receivables	(229.17)	(169.77)	363.66	181.74	(105.78)
Increase/(Decrease) in Trade & Other Payables	914.35	606.33	231.70	187.13	(141.22)
Sub-Total	259.93	251.46	536.56	352.74	(253.58)
Cash generated from operations	2319.23	2034.32	2132.18	1850.10	1086.70
Less : Taxes paid	162.37	212.08	84.89	80.86	22.10
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	2156.86	1822.24	2047.29	1769.24	1064.60
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase/Sale of Fixed Assets/Capital work in progress etc.	(2676.77)	(2507.82)	(2047.42)	(2361.39)	(1290.81)
Sale proceeds on disposal of fixed assets	107.22	0.66	0.48	1.09	8.18
Decrease/(Increase) in Investment in Companies other than subsidiary	273.54	256.44	0.00	0.00	(4.00)
Investment in shares of Subsidiary company	0.00	0.00	(30.00)	(83.16)	(199.26)
Dividend Received	36.06	12.12	4.46	2.26	0.10
NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	(2259.95)	(2238.60)	(2072.48)	(2441.20)	(1485.79)

C.	CASH FLOW FROM FINANCING ACTIVITIES					
	Proceeds from issue of share capital/Share capital deposit	0.00	645.88	642.82	1304.24	1388.42
	Dividend & Dividend Tax Paid	(358.00)	(263.40)	(164.20)	(143.37)	(88.20)
	Proceeds on Borrowings	2577.48	1442.80	1363.99	1151.93	912.29
	Repayment of Borrowings	(351.22)	(1037.04)	(1118.05)	(1007.86)	(1649.14)
	Interest & Financial Charges	(390.80)	(447.18)	(468.85)	(495.67)	(570.18)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	1,477.46	341.06	255.71	809.27	(6.81)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	1,374.37	(75.30)	230.52	137.31	(427.99)
	Cash & Cash Equivalents at the beginning of the year	466.90	542.20	311.68	174.37	602.36
	Cash & Cash Equivalents at the close of the year	1841.27	466.90	542.20	311.68	174.37

Annexure- IV
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

- 2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.
- 2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets.
- 2.3 Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.
- 2.4 Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.
- 2.5 Land taken for use from State Government (without transfer of title) and expenses on relief and rehabilitation as also on creation of alternate facilities for land evacuates or in lieu of existing facilities coming under submergence and where construction of such alternate facilities is a specific pre condition for the acquisition of the land for the purpose of the project, are accounted for as Land-unclassified, to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project.
- 2.6 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation.
- 2.7 Construction equipments declared surplus are shown at lower of book value and net realisable value

3. MACHINERY SPARES

- 3.1(a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.
- 3.1(b) WDV of spares is charged to revenue in the year in which such spares are consumed. Similarly value of such spares, procured & consumed in a particular year is charged to revenue in that year itself.
- 3.1(c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value whichever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.
- 3.2 Other spares are treated as “stores & spares” forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

- 4.1 Projects under commissioning and other capital work-in-progress are carried at cost. In respect of Projects under construction, incidental and attributable expenses (net of incidental income) including interest and depreciation on fixed assets in use during construction are carried as part of Incidental Expenditure During Construction to be allocated on major immovable Project Assets other than Land and infrastructural facilities, on commissioning of the Project.
- 4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to 'Incidental Expenditure During Construction'.
- 4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project.

5. DEPRECIATION & AMORTISATION

- 5.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by regulations by the CERC, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by the Company (@ 30%) are adopted.
- 5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.
- 5.3 Assets valuing Rs 5,000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5,000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.
- 5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing up to Rs750/- are not capitalized and charged off to revenue.
- 5.5 Expenditure on software is recognized as 'Intangible Assets' to be amortized over three years.
- 5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.
- 5.7 Capital Expenditure referred to in Policy 2.3 is amortised over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

6. INVESTMENTS

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

7. INVENTORIES

- 7.1 (a) Stores & Spares other than scrap and spares of surplus construction equipments, are valued at cost on weighted average basis.
- (b) Scrap is valued at net realizable value.
- (c) Spares for surplus construction equipments are valued at lower of cost and net realizable value.
- 7.2 Losses towards unserviceable and obsolete stores and spares identified on review are provided in the accounts.
- 7.3 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.

- 7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

8. FOREIGN CURRENCY TRANSACTIONS

- 8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.
- 8.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to IEDC in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01/04/2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.

9. EMPLOYEE BENEFITS

- 9.1 Provision for Post employment benefit as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year-end.
- 9.2 Provision for Leave Travel concession, Leave Encashment & Baggage Allowance admissible on superannuation is made in the books on the basis of actuarial valuation made at the year end.
- 9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. REVENUE

- 10.1(a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.
- (b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.
- (c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.
- (d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.
- 10.2(a) Revenue from Construction Contracts is recognized on specified %age of completion method. Losses including those anticipated in the contracts are recognized immediately. Provision for contingencies is made in such cases and to such extent as is considered necessary to cover any claims that may arise during the defect liability period.
- 10.2(b) In respect of other Project Management/Consultancy Contracts/Cost plus Contract, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.
- 10.3 Interest on investments is accounted for on accrual basis.
- 10.4 Interest/Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. ALLOCATION OF CORPORATE OFFICE EXPENSES

Corporate Office Expenses are allocated as under:

- (a) On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- (b) In case of construction contract works awarded to and executed by the Corporation @ 5% of the project expenditure incurred during the year except in case of contracts of Rural Electrification & PMGSY, where allocation of expenditure in respect of dedicated division is made on the basis of services rendered.
- (c) The balance expenditure is allocated to construction projects in the ratio of net capital expenditure incurred during the year.

12. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to 'Self Insurance Reserve' on year to year basis by charge to Profit & Loss Account, to be utilized for losses of Assets for specified contingencies.

13. MISCELLANEOUS

- 13.1. Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.
- 13.2. Power supplied from Power Stations to Projects under construction is charged as per normal tariff.
- 13.3. Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.
- 13.4. Insurance claims are accounted for based on certainty of realisation.

14. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

15. TAXES ON INCOME

Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a Pass-through to beneficiaries to the extent relatable to Core activity i. e. Generation of electricity.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2004 TO 31ST MARCH 2008.

- 1. During the year ended 31st March 2004,

Expenditure on Relief and Rehabilitation against land taken for use from state government earlier being capitalised under 'land', now amortised over a period of 35 years from the date of commercial operation of the project.

2. During the year ended 31st March 2006,
 - i. Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.
 - ii. In line with Accounting Standard 26 – 'Deferred Revenue Expenditure' earlier being amortized over a specified period, is now charged to revenue in the year of expenditure.
 - iii. Expenditure on VRS is charged to revenue in the year of expenses which was earlier capitalized under CWIP.
3. During the year ended 31st March 2007

Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)).

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Travelling Concession & Baggage Allowance on retirement) were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the (AS-15(R)) is applicable from financial year 2007-08. No restatement of provision made on account of Long term Benefits in 2006-07 as actuarial valuation was got done in 2006-07 only.

4. During the year ended 31st March 2008
 - i. Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956. No impact on profit as Loss/Gain on Foreign Exchange difference, being recoverable/payable from/to beneficiary states is transferred to Deferred Current Asset/Liability keeping in view the opinion of Expert Advisory Committee of the Institute of Chartered Accountants of India.
 - ii. Modification of accounting policy on Construction Contract (Policy No. 10.2 (b)).

B. NOTES ON ACCOUNTS

1 Impact of changes in the Accounting Policies, Material Adjustments, Extra-ordinary and Prior Period items

(Rs. in crore)

S. No.	Particulars	Financial Year ended 31st March 2008	Financial Year ended 31st March 2007	Financial Year ended 31st March 2006	Financial Year ended 31st March 2005	Financial Year ended 31st March 2004
	Profit after tax as per audited statement of accounts	1004.09	924.80	742.75	684.58	621.38
	Adjustment on account of					
1	Change in the Accounting Policies/method					
-	Machinery Spares treated as Insurance Spares (note	0.00	0.00	24.38	-2.79	-15.68

	no. 1.1(A) (a))					
-	Deferred Revenue Expenditure Charged to Revenue (note no. 1.1(A) b)	0.00	0.00	1.18	-0.47	-0.71
-	Expenditure on VRS charged to Revenue (note no. 1.1(A) c)	0.00	0.00	0.00	-17.43	-0.18
-	Amortisation of Land unclassified (note no. 1.1(A) d)	0.00	0.00	0.00	0.00	5.37
	Total	0.00	0.00	25.56	-20.69	-11.20
2	Material Adjustments					
	Sale of energy (note no. 1.1(A) e)	-16.63	-70.00	-65.53	5.52	0.16
	Effect of Scheme for settlement of SEB dues and return of bonds (note no. 1.1(A) f)	0.00	0.00	-4.26	-0.60	10.03
	Advance against depreciation (note no. 1.1(A) g)	0.00	19.31	-1.62	-7.51	26.36
	Wage revision (note no. 1.1(A) h)	0.00	0.00	13.26	-2.76	-2.41
	Provision no longer required (note no. 1.1(A) i)	-1.42	-3.18	2.61	-93.58	42.45
	Surcharge (note no. 1.1 (A) j)	0.00	0.00	-14.33	0.00	-63.93
	Total	-18.05	-53.87	-69.87	-98.93	12.66
3	Prior Period Adjustment (note no. 1.1(A) k)	20.70	-2.20	-7.47	11.62	-8.57
4	Income tax relating to earlier years (note no 1.1(A) k)	15.10	27.41	13.07	19.54	-18.38
5	Impact of Auditors Qualification (note no 1.1(A) l)	63.32	49.83	44.04	36.93	42.79
6	Total (Impact of Adjustments)	81.07	21.17	5.33	-51.53	17.30
7	Adjusted Profit After Tax	1085.16	945.97	748.08	633.05	638.68

1.1 NOTES ON ADJUSTMENTS CARRIED OUT

A. Having impact on Profit

- Amount of machinery spares treated as insurance spares, capitalised and depreciated over the residual life of machinery and WDV of such spares charged to revenue in the year of consumption adjusted in respective years.
- The deferred revenue amortised over a period of three to five years, in the earlier years, has been charged off to revenue in the year of expense.
- Expenditure on VRS capitalised to CWIP, in the earlier years, has been charged to revenue in the year of expenses.

- d. Impact of change in the method of amortisation of expenditure on Relief and Rehabilitation against land taken for use from state government, considered for earlier years.
- e. Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective year and adjustment of amount recoverable against restatement of tax for earlier years.
- f. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.2564.44 Crore against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.253.62 Crore were converted into interest bearing long term advance with effect from 1st October, 2001 Adjustment in respect of the aforesaid and incentive under the Scheme have been carried out in the respective years.

- g. Advance against Depreciation adjusted in the relevant years as per tariff orders of CERC.
- h. Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective year.
- i. Estimated provision against incentive payable to beneficiary reversed after assessment of actual liability based on terms of the tariff order of CERC.
- j. Surcharge received through Bonds has been adjusted in respective year.
- k. The prior period items/income tax relating to earlier years in the profit and loss account have been re-allocated to respective years.

1. Impact of Auditor's Qualification

Impact of qualifications in Audit Report from the year 2006-07 onwards regarding capitalization of expenditure on Survey & Investigation including other incidental expenditure on some of the projects, where construction activities had to be suspended due to intervention of court/State government/public unrest etc. and from the year 2004-05 onward, on creation of Self Insurance Reserve by charge to Profit & Loss Accounts instead of Appropriation. Though management does not agree with the contention of the auditors in view of accounting policy No. 4.3 and 12, and also views of the Comptroller & Auditor General of India on Accounting Policy No. 12, yet for the purpose of restatement, impact of above qualifications has been considered.

B. Having no impact on the Profit

The shareholders in the Extra-Ordinary General Meeting held on March 13, 2007 have approved the sub-division of equity shares of face value of Rs. 1,000/- each into hundred equity shares of face value of Rs.10 each. Subsequent to this sub-division, the authorized equity share capital of Rs.15,000 crore has been divided into 1,500 crore equity shares of Rs. 10/- each and the issued, subscribed and paid up capital of Rs. 11,198.21 crore, as on 31st March 2007 has been divided into 1,119.82 crore equity shares of Rs. 10/- each. Accordingly, all accounting ratios have been computed on the basis of number of equity shares post-split.

The accounts for the years 2003-04 to 2007-08 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of changes for the financial years prior to 2003-04 has been adjusted in the General Reserve as at 1st April 2003.

1.2 NOTES ON ADJUSTMENTS NOT CARRIED OUT

Qualification of the Auditors

- (a) The Auditors in their report for the period ended, March 2007 & March 2006 has qualified that requirement of amended clause 33 of the Articles of Association regarding “Independent Directors should not be less than 50% of the actual strength of the Board”, has not been complied with.

Since the aforesaid qualification does not have any financial impact over the profitability of the Company, no adjustment was carried out. In our opinion, this is a statement of the fact as stated by the auditors.

2. Contingent Liabilities

(Rs. in crore)

	Particulars	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2006	As at 31 st March 2005	As at 31 st March 2004
1	Claims against the Company not acknowledge as Debts in respect of					
	Capital Works	3193.93	1819.78	1257.56	904.23	494.32
	Land Compensation cases	84.48	125.55	69.72	50.80	6.27
	Others	340.02	280.56	180.57	166.59	285.40
2	Disputed Income Tax, Excise and Sales Tax demand	2045.53	2055.53	2090.19	2109.47	222.85
	Total	5663.96	4281.42	3598.04	3231.09	1008.84

3. Estimated amount of contracts remaining to be executed on capital account and not provided for

(Rs. in crore)

As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2006	As at 31 st March 2005	As at 31 st March 2004
8454.03	8588.86	8216.34	6183.37	5022.39

4. Other significant notes on account as on:

A. 31st March 2008

- (a) Title deeds/title in respect of Land of some Projects/Units amounting to Rs.52.10 Crore, covering an area of 2080.40 hectare, has yet to be executed/passed. Expenses on stamp duty etc relating to registration thereof will be accounted for as and when incurred.
- (b) Billing on account of year end adjustments towards FERV (Rs.1.07 Crore) and Income Tax (Rs.(-)16 Crore) is yet to be done. Sales in respect of Dulhasti & Teesta V (Unit No. 2) Power Stations have been accounted for based on provisional tariff notified by Central Electricity Regulatory Commission (CERC).
- (c) Debtors for sales include an amount of Rs.120.81 Crore (Net), being recoverable from M/s Delhi Transco Limited (erstwhile DESU) pertaining to period prior to Financial Year 1996-97. In the opinion of management, no provision is required in this regard as the case for recovery of the same has been taken up by Ministry of Power with Ministry of Finance, Govt. of India.
- (d) In pursuance of Government of India decision, the Company has taken over, Uri-II, Kishanganga, Pakul Dul, Sewa-II, Bursur, Nimmo-Bazgo and Chutak Projects from J&KPDC for which demand of Rs. 84.89 Crore has been raised by J&KPDC. The Company has accounted for the claims of Rs. 33.66 Crore and balance amount shall be booked on final reconciliation of items and accounts submitted by J & K PDC.
- (e) In pursuance of MoU signed by NHPC with Govt. of Uttarakhand (GoUK) on 1st November 2003, the Lakhwar Vyasi project was handed over to NHPC. An amount of Rs.246.86 Crore, spent by GoUK before it's handing over to NHPC, has not been incorporated in the books of accounts, as the implementation agreement for construction of said project has not been signed with GoUK.

- (f) In accordance with the decision of Government of India, Siang Basin, Subansiri & Dibang Multipurpose Projects were transferred to the Corporation from Brahmaputra Board. Pending finalisation of handing over process and settlement of account with Brahmaputra Board and signing of MoUs for all the schemes in the State of Arunachal Pradesh except Dibang Multipurpose Project & Tawang Basin Projects, assets and liabilities in respect of these Projects have been booked to the extent of amounts incurred by the Corporation on these projects.
- (g) Claims recoverable include Rs.16.65 crore due from J&KPDC in respect of Baglihar Project handed over to them as per Government of India orders. In respect of Sawalkot Project, pending final handing over of the Project, capital expenditure aggregating to Rs.10.33 crore continues to appear as part of the assets of the Corporation whereas ad hoc advance of Rs.5.36 crore received from J&KPDC in respect of this Project is however shown under 'Current Liabilities' and shall be adjusted on final settlement of account.
- (h) The project work at Subansiri Upper & Subansiri Middle is pending due to the Honourable Supreme Court order dated 19.04.2004 in Interlocutory Applications (IAs) 966 & 1012, restraining the construction of dam upstream of Subansiri River. However, subsequently the State Govt. of Arunachal Pradesh has filed an IA No. 1362-63 for construction of projects, which was heard by Honourable Supreme Court on 21.07.2006 and has referred the issue to Standing Committee of the National Board of Wildlife (NBWL).
- (i) Pursuant to the order of Govt. of Arunachal Pradesh/Govt. of India, Corporation had decided to hand over Siyom & Siang Lower Project referred to in Note No. 4(A)(f) as originally taken over from Brahmaputra Board, to private developers. DPR of both the projects were handed over in December 2007. Other fixed assets & CWIP of Siyom project, except some of the asset decided to be retained by NHPC, has been handed over to M/s Siyom Hydro Project Private Limited vide Memorandum of transfer on 17.04.2008. Accordingly, a profit of Rs.52 Crore has been recognised in the books on sale of project. However, handing over of Siang Lower Project to M/s Jai Prakash Ltd. is yet to be completed and as such, expenditure of Rs.41.90 Crore is appearing under the Schedule of Fixed Assets & CWIP and amount of Rs.78.78 Crore received from M/s Jai Prakash Ltd. is appearing under the Schedule of Current Liabilities.
- (j) In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries.
- (k) Pending signing of agreement between NHPC & Govt. of Manipur for formation of Joint Venture Company for the execution of Loktak Down Stream Project, as decided by Govt. of India, capital expenditure of Rs.29.80 Crore (Previous year Rs.29.44 Crore) is appearing under Capital Work in Progress.
- (l) Balances shown under Material issued to contractors, claims recoverable, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/confirmation and respective consequential adjustments.
- (m) 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
- (n) Electricity generation is the principal business activity of the Company. Other operations viz., contract works and consultancy services do not form a reportable segment as per the Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.
- (o) The depreciation on Fixed Assets is charged as per Significant Accounting Policy No. 5 of the Company. MOP has notified Tariff Policy, which provides that rates of depreciation as notified by Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. Pending formulation of norms by CERC in accordance with the tariff policy, the rates notified under present tariff norms are considered appropriate for depreciation for the year.
- (p) The Management is of the opinion that no provision for impaired assets is required under Accounting Standard (AS)-28 on Impairment of assets.
- (q) Pursuant to the approval of Ministry of Power to abandon the Koel Karo Project, expenditure to the extent of Rs24.55 Crore, being equal to equity capital of the project, has been borne by Govt. of India. Accordingly, Shareholders through Special Resolution in Annual General Meeting (AGM) held on 28.07.2006 has approved the reduction in equity capital. Entry for reduction in equity has been carried out in current year since the reduction of Share Capital has been confirmed

vide Ministry of Company Affair order No. 40/4/2006-CL-III dated 09.04.2007 and has been registered by the Registrar of Companies on 20.04.2007.

- (r) Wage revision of the employees of the Corporation is due w. e. f. 01.01.2007. Pending decision of the committee formed by Govt. of India as regard to wage revision, a provision of Rs.159.60 Crore has been made in current year in the books on reasonable estimate basis. Similarly, an amount of Rs.29.68 Crore has been provided towards wage revision arrear due w.e.f. 01.01.2006 to personnel working in NHPC from other organisation.
- (s) In terms of Accounting Standard (AS) 15 (2005) on “Employee Benefits”, a provision of Rs.107.44 Crore has been made towards employee benefits based upon actuarial valuation.

5. Interests in Subsidiary Company.

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest
Narmada Hydroelectric Development Corporation Limited	India	51%

Annexure-V

STATEMENT OF DIVIDEND PAID BY THE COMPANY – UNCONSOLIDATED

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Equity Share Capital					
Face Value (Rs) *	10	10	10	10	10
Nos. *	11,182,493,430	11,198,212,500	10,215,282,000	9,425,619,700	7,775,629,700
Rate of Dividend (%)					
Interim	0.89	0.64	0.63	0.64	0.77
Final	1.79	1.84	1.56	0.85	0.77
Amount of Dividend					
Interim	100.00	72.00	64.00	60.00	60.00
Final	200.00 **	206.00	159.00	80.00	60.00
Corporate Dividend Tax					
	50.99	45.11	31.28	19.22	15.38

* Face value of equity shares has been sub divided from Rs. 1,000/- per share to Rs. 10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated for earlier years.

** Proposed Dividend

Annexure – VI
STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT –
UNCONSOLIDATED

S. No.	Key Ratio	Year Ended as at				
		March 31,2008	March 31,2007	March 31, 2006	March 31, 2005	March 31, 2004
A	Earning Per Share (Rs.)					
	Basic	0.97	0.90	0.76	0.71	0.87
	Diluted	0.97	0.87	0.73	0.69	0.82
B	Return on Net Worth (%) \$	6.30	5.74	4.92	4.49	5.18
C	Net Assets Value per share (Rs.) \$	15.40	14.71	14.41	14.22	14.31
D	Weighted Average number of Equity shares used as denominator					
	Basic	11,174,850,574	10,502,319,459	9,897,284,400	8,881,641,900	7,331,006,100
	Diluted	11,183,030,042	10,822,615,290	10,226,184,900	9,215,475,700	7,741,929,900
E	Total number of shares outstanding at the end of the year/period @	11,182,493,430	11,207,043,400	10,561,163,000	9,918,343,700	8,614,103,700

- \$ Share Capital Deposit and GOI funds adjustable toward equity has been considered in Net Worth.
- Face value of equity shares has been sub divided from Rs. 1,000/- per share to Rs. 10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated for earlier years.
- @ Outstanding number of shares has been adjusted to the extent of equivalent share of Rs.10/- each for Share Capital Deposit and GOI funds adjustable toward equity, for which share has been issued subsequently.

The ratios have been computed as below

Earning Per Share (Rs.)	Net Profit after tax
=	Weighted average number of equity Shares outstanding at the end of the year
Return on Net worth %	Net Profit after tax
=	Net worth Equity excluding revaluation reserve/Capital Grant recd against Fixed Assets
Net Asset Value per share (Rs.) =	Net worth Equity excluding revaluation reserve/Capital Grant recd against Fixed Assets
	No. of Equity Shares outstanding at the end of the year

Annexure – VII
Capitalisation Statement of the Company - Unconsolidated

(Rs. in crore)

S. No.	Particulars	Pre-Issue as at 31st March 2008	Post Issue **
A.	Debt:		
	a) Short-term Debt	473.87	
	b) Long-term Debt	9,482.46	
	Total Debt:	9,956.33	
B.	Share Holders fund		
	a) Equity Share Capital	11,182.49	**
	b) Reserves & Surplus	6,039.67	
	Total Share holders fund	17,222.16	
	Less Miscellaneous Expenses to the extent not written off	0.34	
	Net Worth	17,221.82	
C.	Long-term Debt/Equity	0.55 : 1	

** These figures can be ascertained only on the conclusion of the book building process.

Annexure- VIII

Statement of Secured Loan - Unconsolidated

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
1 BONDS (refer Note 1 below)	570.00	570.00	1,000.00	1,028.00	1,056.00
2 TERM LOANS Term Loan from Banks/FIs- Indian Currency (refer Note 2 below)	6,433.49	4,052.79	2,973.50	2,976.26	3,085.35
Total (Secured Loan)	7,003.49	4,622.79	3,973.50	4,004.26	4,141.35

Note

1	Bond Series	Loan amount as at March 31, 2008	Security Mortgaged	Interest Rate (%)	Repayment terms
	BONDS				
	15 year Bonds of Rs.100,000,000/- each (O-Series, Private Placement)	570.00	* 2	7.70	Earliest redemption on 31.03.09
		570.00			

- 2 The terms and conditions of the Term Loans from Banks and FIs, outstanding as at March 31, 2008, including interest rates, principal terms of Security and repayment terms are as under

Name of the Lender	Loan amount as at March 31, 2008	Security Mortgaged	Interest Rate (%)	Repayment terms
CANARA BANK	85.00	*1	6.75	In 5 equal yearly instalment w.e.f. 31.01.09
INDIAN OVERSEAS BANK	50.00	*1	10.25	In 4 equal yearly instalment w.e.f. 06.12.08
STATE BANK OF PATIALA	36.00	*1	8.322	Repayable in 20 half yearly instalments w.e.f 9.7.2007
BANK OF INDIA	85.00	*3	11	In 10 years in 40 equal quarterly instalment w.e.f. 24.12.06
CENTRAL BANK OF INDIA	60.00	*3	10	In 20 half yearly instalment of Rs.5 crore w.e.f. 2.5.04
HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	78.57	*3	10.5	In 14 equal half yearly instalment w.e.f. 13.02.07
PUNJAB & SIND	85.00	*3	10.5	In 40 quarterly instalment in 10

BANK				years w.e.f. 24.10.06
PUNJAB NATIONAL BANK	97.50	*3	10.25	In 10 years in 20 half yearly instalment w.e.f. 26.10.04
STATE BANK OF PATIALA	39.29	*3	11	In 14 half yearly instalment w.e.f. 30.01.07
STATE BANK OF HYDERABAD	39.29	*3	10	In 14 half yearly instalment w.e.f. 07.01.07
STATE BANK OF INDIA	107.14	*3	10.5	In 14 half yearly instalment w.e.f. 18.09.06
CANARA BANK	50.00	*4	10.5	In 4 equal yearly instalment w.e.f. 28.06.09
L I C OF INDIA	2500.00	*5 & *7	8 & 9.25	In 24 half yearly instalment in 12 years w.e.f. 15.04.09
CANARA BANK	180.00	*2	6.86	In 10 equal yearly instalment w.e.f. 09.11.07
SYNDICATE BANK	164.70	*2	7.207	In 10 equal yearly instalment w.e.f. 23.02.08
ORIENTAL BANK OF COMMERCE	180.00	*2	7.207	In 10 equal yearly instalment w.e.f.31.03.08
ORIENTAL BANK OF COMMERCE	100.00	*2	6.86	In 10 equal yearly instalment w.e.f. 27.12.11
LIFE INSURANCE CORPORATION OF INDIA	1496.00	*6	13 year G-sec plus 75bps	In 24 half yearly instalment in 12 years w.e.f. 30.04.12
INDIAN BANK	100.00	*1	7.7	In 3 equal yearly instalment w.e.f. 28.02.12
POWER FINANCE CORPORATION LTD.	50.00	*8	AAA 3 Year Corp. Bonds plus 50Bps	40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	120.00	*9		40 equal quarterly instalment w.e.f. 15.10.08
POWER FINANCE CORPORATION LTD.	70.00	*9		40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	190.00	*10		40 equal quarterly instalment w.e.f. 15.04.10
POWER FINANCE CORPORATION LTD.	260.00	*11		40 equal quarterly instalment w.e.f. 15.07.09
POWER FINANCE CORPORATION LTD.	210.00	*11		40 equal quarterly instalment w.e.f. 15.04.09
	6,433.49			

- *1 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-I situated in the state of Himachal Pradesh except for Book Debts and Stores.
- *2 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Uri -I Power Station situated in the state of Jammu & Kashmir except for book debts and stores.
- *3 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-II situated in the state of Himachal Pradesh except book debts & stores.
- *4 Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of Company's Loktak Power Station situated in the state of Manipur except for book debts and stores.
- *5 Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Company's Parbati HE Project-II situated in the state of Himachal Pradesh.
- *6 Secured by the hypothecation of the moveable assets of the Corporation's Subansiri Lower H.E. Project situated in the state of Arunachal Pradesh & equitable mortgage/hypothecation against immovable/movable assets of Corporations Teesta Low Dam-III Project situated in the state of West Bengal and Teesta V H.E. Projects situated in the State of Sikkim.

- *7 Secured by a first pari-passu mortgage and charge over all the immoveable and moveable assets of the Company's Dhauliganga Power Station situated in the state of Uttarakhand except for book debts & stores.
- *8 Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores. The charge has been filed with ROC on 09/05/2008.
- *9 Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores. The charge has been filed with ROC on 02/05/2008.
- *10 Secured by way of first pari-passu charge by way of mortgage/hypothecation on whole of the Corporation's immovable/movable assets, both present and future, of Uri-I Power Station & Chamera-II Power Station situated in the state of Jammu & Kashmir & Himachal Pradesh respectively except for book debts & stores. Security creation under process and charge is yet to filed with ROC.
- *11 Secured by way of first pari-passu charge by way of mortgage/hypothecation on whole of the Corporation's immovable/movable assets, both present and future, of Chamera-I Power Station situated in the state of Himachal Pradesh except for book debts & stores. Security creation under process and charge is yet to filed with ROC.

Annexure-IX
STATEMENT OF UNSECURED LOANS - UNCONSOLIDATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
TERM LOANS					
i) Term Loan From Banks/FIs - Indian Currency	-	-	100.00	100.00	100.00
ii) Term Loan From Banks/FIs - Foreign Currency					
(a) Guaranteed by Government of India	2,737.41	2,710.04	2,888.40	2,698.05	2,380.25
(b) Others	215.43	199.12	204.79	219.49	226.18
Total	2,952.84	2,909.16	3,193.19	3,017.54	2,706.43

Name of the Lender	Loan amount as at March 31, 2008	rate of Interest	Repayment terms
Term Loan From Banks/FIs - Foreign Currency			
(a) Guaranteed by Government of India			
- Nordic Investment Bank	60.62	6m US\$ libor+0.15 %	Repayable in 23 equal semi annual installments w.e.f. 24.01.2000
- Credit Commercial DE France	268.25	8.96%	Repayable in 17 equal semi annual installments w.e.f. 30.06.2002
- Export Development Canada	402.42	6.01%	Repayable in 24 equal semi annual installments w.e.f. 15.09.2004
- Japan Bank of International Cooperation Tranche-I	175.89	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.01.2006
- Japan Bank of International Cooperation Tranche-II	641.14	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.12.2007
- Japan Bank of International Cooperation Tranche-III	472.48	1.30%	Repayable in 41 equal semi annual installments w.e.f. 20.03.2014
- Deutsche Bank & Others	716.61	6m JPY libor+0.57 %	Repayable in 20 equal semi annual installments w.e.f. 18.04.2009
	2,737.41		
(b) Others			
- ECB - BARCLAYS & SCB	215.43	6m JPY libor+1.19 %	Bullet repayment on 09.01.2014, subject to an irrevocable put to the lender for bullet repayment on 09.01.2009.
TOTAL UNSECURED LOANS	2,952.84		

Annexure-X
STATEMENT OF INVESTMENT - UNCONSOLIDATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Unquoted					
Subsidiary- Narmada Hydroelectric Development Corp.	1002.42	1002.42	1002.42	972.42	889.26
Tax Free State Government Special Bonds	2034.44	2307.97	2564.41	2564.41	2564.41
Equity Shares	0.00	0.00	0.00	0.00	12.00
Quoted					
Equity Shares *	12.36	12.36	12.36	12.36	0.36
Sub Total	3049.22	3322.75	3579.19	3549.19	3466.03
Less: Provision for permanent diminution in Investment	0.00	0.00	0.00	0.00	0.00
Total	3049.22	3322.75	3579.19	3549.19	3466.03
Aggregate Book value of Quoted Investments	12.36	12.36	12.36	12.36	0.36
Aggregate Market value of Quoted Investments – BSE	120.20	75.18	74.36	60.47	2.03
Aggregate Book value of Un quoted Investments	3036.86	3310.39	3566.83	3536.83	3465.67

* including investment in PTC India Ltd - for Rs. 12 crore (previous year Rs. 12 crore)

Annexure – XI
Statement of Sundry Debtors – Unconsolidated

(Rs. in crore)

Particulars		Year Ended as at				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
	Debts- Unsecured					
i)	Debts outstanding for a period exceeding six months					
	- Considered good	132.19	141.70	221.21	367.23	352.62
	- Considered doubtful	77.13	75.94	77.07	77.56	84.75
ii)	Other debts					
	- Considered good *	215.87	166.15	26.99	217.25	245.03
		425.19	383.79	325.27	662.04	682.40
	Less: Provision for doubtful debts	77.13	75.94	77.07	77.56	84.75
	TOTAL	348.06	307.85	248.20	584.48	597.65

* includes Rs 0.05 crore as on 31.03.2008 due from Narmada Hydro Development Corporation Limited, a Subsidiary Company

Annexure-XII
STATEMENT OF LOANS AND ADVANCES - UNCONSOLIDATED

(Rs. in crore)

Particulars		Year Ended as at				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
i)	Loans- to Employees (including interest accrued thereon)					
	Secured - Considered good	103.23	97.51	93.12	84.12	73.30
	Unsecured - Considered good	27.73	30.00	31.77	34.90	38.80
ii)	Advance to Subsidiary Companies					
	Unsecured (Considered Good)	0.00	2.31	2.93	0.86	2.07
iii)	Advance Recoverable in Cash or kind or Value to be received					
	Secured considered good	0.07	35.14	0.30	0.00	0.00
	Unsecured considered good	32.49	26.33	15.07	10.14	22.03
	Unsecured considered doubtful	0.50	0.46	0.44	0.19	0.54
	Less : Provisions for doubtful advances and claims	(0.50)	(0.46)	(0.44)	(0.19)	(0.54)
iv)	Loans to State Government in Settlement of Dues	215.58	253.62	253.62	253.62	253.62
	Advance to Government of Arunachal Pradesh	225.00	0.00	0.00	0.00	0.00
	Deferred Foreign Currency Fluctuation Assets	219.37	0.00	0.00	0.00	0.00
A	Total	823.47	444.91	396.81	383.64	389.82
B	Other Recoverables	0.00	0.00	0.03	12.29	16.89
C	Deposits					
	Advance income tax (Gross Paid)	455.56	331.08	205.95	133.10	70.79
	Less provision for Taxation	(435.19)	(330.68)	(197.59)	(140.23)	(65.84)
	TOTAL	843.84	445.31	405.20	388.80	411.66

Annexure-XIII
Statement of Other Income - Unconsolidated

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,200 6	March 31,200 5	March 31,200 4
Other Income	194.38	65.96	45.94	40.43	82.43
Net Profit before tax, as restated	1,212.6	1,081.5			
	2	0	804.42	706.45	679.16
Percentage	16.03	6.10	5.71	5.72	12.14

Details of Other Income

Particulars	March 31,2008	March 31,2007	March 31,200 6	March 31,200 5	March 31,200 4	Nature of Income
Income from						
Deposit/Advances/term deposit	80.12	30.15	21.58	9.66	6.54	Recurring
Interest on Corporate Loan	0.00	0.00	0.00	0.00	10.97	Non - Recurring
Dividend Income	36.06	12.11	4.46	2.26	0.10	Recurring
Surcharge on late payment from Customer	0.90	7.92	10.10	2.80	40.67	Recurring
Profit on Sale of Project	52.00	0.00	0.00	0.00	0.00	Non - Recurring
Profit on Sale of Assets/Scrap	2.86	0.60	0.69	3.12	1.53	Recurring
Guarantee fee	0.00	0.47	0.33	3.91	5.63	Non- Recurring
Other Miscellaneous Income	22.44	14.71	8.78	18.68	16.99	Recurring
TOTAL	194.38	65.96	45.94	40.43	82.43	

Annexure XIV
STATEMENT OF TAX SHELTER - Unconsolidated

(Rs. in crore)

PARTICULARS		For the year ended at				
		Mar 31,2008	Mar 31,2007	Mar 31,2006	Mar 31,2005	Mar 31,2004
	Rate of Tax	33.99%	33.66%	33.66%	36.59%	35.88%
A	PROFIT BEFORE TAX AS RESTATED (A)	1212.62	1081.50	804.42	706.45	679.16
	NOTIONAL TAX ON BOOK PROFIT	412.17	364.03	270.77	258.51	243.65
	ADJUSTMENTS					
B	PERMANENT DIFFERENCES					
	Dividend Income exempt u/s 10(34)	(36.06)	(12.12)	(4.46)	(2.26)	(0.10)
	Donations	0.07	0.03	0.01	1.00	0.02
	Interest on tax free power bonds	(209.22)	(234.08)	(239.53)	(239.53)	(239.53)
	Tax Holiday Claim u/s 80-IA	(181.63)	(92.30)	0.00	0.00	0.00
	Others	18.63	17.82	16.19	19.25	0.00
	TOTAL PERMANENT DIFFERENCE (B)	(408.21)	(320.65)	(227.79)	(221.54)	(239.61)
C	TIMING DIFFERENCE					
	Diff. Between book depreciation and Tax depreciation	(841.38)	(130.14)	(543.31)	(354.21)	(450.18)
	Profit on sale of assets	(2.86)	(0.60)	(0.74)	(3.06)	(1.54)
	Loss on sale of assets	1.36	0.54	0.12	5.88	8.21
	Tax, duty and other sum u/s 43B	26.81	32.86	27.06	26.95	24.30
	Others	11.66	7.88	11.42	8.96	(78.41)
	Adjustment for brought forward losses/unabsorbed depreciation (utilized)/created	0.00	(671.39)	(71.18)	(169.43)	58.07
	TOTAL TIMING DIFFERENCES (C)	(804.41)	(760.85)	(576.63)	(484.91)	(439.55)
D	NET DIFFERENCES (B) + (C)	(1212.62)	(1081.50)	(804.42)	(706.45)	(679.16)
	TAX SAVINGS THEREON	412.17	364.03	270.77	258.51	243.65
E	TAXABLE INCOME AS PER IT RETURN (A)+(D)	0.00	0.00	0.00	0.00	0.00
F	TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)					
	Tax rate u/s 115JB	11.33%	11.22%	8.42%	7.84%	7.69%
	Tax u/s 115JB	117.61	125.77	48.87	57.47	28.76
	TOTAL TAX AS PER RETURN	117.61	125.77	48.87	57.47	28.76
G	CARRIED FORWARD LOSSES/UNABSORBED DEPRECIATION AT THE YEAR END	0.00	0.00	671.39	742.57	912.00

Note 1: In line with Power tariff agreements with State Electricity Boards, tax liability on generation income is passed through to beneficiaries.

Note 2: The figures for the year ended at March 31,2008 are based on the provisional computation of total income .

Annexure - XV
STATEMENT OF RELATED PARTY TRANSACTIONS

1) List of Related Parties

a) Subsidiary Company/Joint Ventures

- **Narmada Hydroelectric Development Corp Ltd.** - 51% Share Holding in the Company
- **PTC India Ltd.** – 5.28% Share Holding in the Company.

b) Key Management Personnel

As on 31st March 2008.

Whole time Directors:

Shri S.K. Garg	Chairman & Managing Director
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)-Relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects)
Shri A B L Srivastava	Director (Finance)-Appointed w. e. f. 11.02.2008

As on 31st March 2007.

Whole time Directors

Shri. S. K. Garg	Chairman & Managing Director w. e. f. 23.01.2007. Also holding additional charge of Director (Finance). Earlier Director (Finance) with additional charge of Chairman & Managing Director w.e.f. 01.10.2005
Sh. S K Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)
Shri S. K. Dodeja	Director (Projects) (joined on 02.09.2006)

As on 31st March 2006

Whole time Directors

Shri S. K. Garg	Director (Finance) with additional charge of Chairman & Managing Director w.e.f 01.10.2005
Shri S. K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical) (Joined on 04.08.2005)
Shri A. K. Gangopadhyay	Director (Projects with additional charge of Director (Technical) up to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005 (Retired on 30.09.2005 after attaining the age of superannuation).
Shri Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation)

As on 31st March 2005

Whole time Directors

Shri A. K. Gangopadhyay	Director (Projects) with additional charge of Director (Technical) up to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005)
Shri S. K. Garg	Director (Finance)
Shri S. K. Chaturvedi	Director (Personnel) (joined on 08.10.2004)
Shri. Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation).
Shri R. K. Sharma	Director (Technical) (Up to 21.10.2004)

As on 31st March 2004

Whole time Directors

Shri Yogendra Prasad	Chairman & Managing Director
Shri R Natrajan	Director (Finance) (up to 06.05.2003)
Shri S K Garg	Director (Finance) (w.e.f. 01.07.2003)
Shri A K Gangopadhyay	Director (Projects)
Shri R K Sharma	Director (Technical)
Shri Binay Kumar	Director (Personnel) (ceased w.e.f. 07.07.2003)

2) Remuneration paid/payable to Key Management Personnel

(Rupees in crore)

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
(i)	Salaries & Allowances	0.40	0.28	0.42	0.34	0.33
(ii)	Contribution to Provident Fund	0.03	0.03	0.04	0.03	0.03
(iii)	Rent for Residential Accommodation	0.09	0.08	0.08	0.07	0.10
(iv)	Other benefits	0.02	0.03	0.03	0.03	0.03

3) Others transactions with PTC India Ltd.

(Rupees in crore)

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
1	Investment	0.00	0.00	0.00	0.00	4.00
2	Dividend Recd	1.20	1.20	0.96	0.96	0.00

The transaction with the related parties, for which disclosures are required to be made in terms of AS 18, has been disclosed above. Other Related Party is 'State-controlled Enterprises' and hence no disclosures is required as per paragraph 9 of AS 18.

AUDITORS' REPORT ON RESTATED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

NHPC Limited
NHPC Office Complex
Sector 33, Faridabad
Haryana

- A. We have examined the attached summary of Restated Consolidated Financial Statements of NHPC Limited (the 'Company') (*Formerly known as National Hydroelectric Power Corporation Limited.*) and its Subsidiary namely Narmada Hydroelectric Development Corp. Limited (collectively, the 'Group'), annexed to this report stamped and initialled by us for identification, for the five financial years ended 31st March 2008.

These financial statements have been approved by the official authorised by the Board of Directors and are extracted from:

- i. the Consolidated Financial Statements of the Group for the last four financial years ended 31st March 2008, March 31, 2007, March 31, 2006 and March 31, 2005 which have been audited and reported upon by us.
- ii. the Consolidated Financial Statements of the Group for the year ended 31st March 2004, audited by then statutory auditor i.e. M/s Batra Sapra & Company, Chartered Accountants,

These financial statements have been restated after taking into consideration:

- (a) Adjustments for change in the 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) Any adjustments for qualification requiring adjustments in the accounts in respective financial years to which they relate.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report.

The preparation and presentation of these financial statements are the responsibility of the Company's management. These consolidated financial statements, as restated are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

- B. We conducted our audit in accordance with auditing standard 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 test basis, evidence supporting the amount 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 of our opinion.
- C. We have performed such tests and procedures, which, in our opinion, were necessary for the purpose of our examination. These procedures include comparison of the attached financial statements with the Group's consolidated Audited Financial Statements, for the year 2003-04 to 2007-08.

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

D. In accordance with the requirements of:

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act 1956.
- (ii) The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 issued by SEBI as amended in pursuance of Section II of SEBI Act, 1992 and related clarifications,
- (iii) Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as 'the Issue').

We have examined:

- i. the attached consolidated summary of Profits & Loss Account, as restated, for the five financial years ended 31st March 2008 as set out in Annexure I, the attached consolidated summary of Assets and Liabilities, as restated, as at the end of the above periods, as set out in Annexure II and the attached statement of consolidated Cash Flows, as restated for the above periods, as set out in Annexure III; together referred to as 'Restated Consolidated Financial Statements'.
- ii. Other Consolidated Financial Statements, as restated, relating to the Group, proposed to be included in the Offer Document, as annexed to this report are:
 - (a) Significant Accounting Policies and Notes on Accounts, Change in Accounting Policies and impact of adjustments of change in accounting policies, material adjustments and prior period items etc – (Annexure – IV)
 - (b) Statement of Dividend Paid - (Annexure – V)
 - (c) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
 - (d) Capitalisation Statement - (Annexure – VII).
 - (e) Statement of Secured Loans - (Annexure – VIII)
 - (f) Statement of Unsecured Loans- (Annexure – IX).
 - (g) Statement of investments - (Annexure – X).
 - (h) Statement of Sundry Debtors - (Annexure – XI)
 - (i) Statement of Loans & advances- - (Annexure – XII)
 - (j) Statement of Other Income - (Annexure –XIII).
 - (k) Tax Shelter Statement - (Annexure – XIV)
 - (l) Statement of Related Party transactions - (Annexure – XV).

Based on our examination of these Restated Consolidated Financial Statements of the Group, we report that:

- i. These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion, are appropriate and are subject to significant accounting policies and notes thereon, as attached in Annexure – IV;
- ii. The 'Restated Consolidated Financial Statements' of the Group have been prepared after making necessary adjustment and regrouping, with retrospective effect to reflect the significant accounting policies being adopted by the Company as at March 31, 2008 as stated in Annexure – IV,
- iii. The Summary of Restated Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial statements' issued by The Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of the Company and its Subsidiary included in Restated Consolidated Financial Statements.
- iv. Based on the above, we are of the opinion that the restated consolidated financial information of the Group, as attached to this report, read with the significant accounting policies and significant notes to accounts, have been made in accordance with the provisions of paragraph 6.10.2.3 of the SEBI guidelines, and after incorporating

- a. All the adjustments suggested in Paragraph 6.10.2.7 of the SEBI guidelines.
 - b. Adjustments for changes in the accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reported periods.
 - c. Adjustment for the material amounts in the respective financial years to which they relate.
 - d. Necessary adjustments for qualifications in Auditor's report have been carried out in the Restated Consolidated Financial Statement. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.
- v. There are no extra-ordinary items that need to be disclosed separately in the accounts.
- vi. Without qualifying our opinion, we draw attention to Note A.2 (3) of Annexure IV to this report. The Company adopted the Accounting Standard (AS) 15, "Employee Benefits (Revised)" in preparing the financial statements for the year ended 31st March 2007 onwards. However, for the purpose of the restated statements, AS-15 (revised) has not been applied for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 as the same was not applicable in those years and the impact of which is not readily ascertainable.
- vii. This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **GSA & Associates**
Chartered Accountants

(Sunil Aggarwal)
Partner
Place: Faridabad
Dated: June 27, 2008

Annexure – I
CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED
(Rs. in crore)

Particulars	For the year ended at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Income					
Sales (\$ Net)	2,908.20	2,243.60	2,024.20	1,682.48	1,327.03
Contracts and Consultancy Income	326.49	128.75	48.41	25.37	38.08
Interest on Power Bonds and Long term Advances	209.22	234.08	239.54	239.54	239.53
Other Income	231.70	76.24	58.96	41.08	77.37
TOTAL INCOME	3,675.61	2,682.67	2,371.11	1,988.47	1,682.01
Expenditure					
Generation, Administration and other Expenses	234.76	160.93	195.68	151.46	120.08
Employees' Remuneration and Benefits	339.93	249.74	207.93	219.97	155.71
Depreciation	558.76	367.41	343.04	293.18	214.15
Interest and Finance charges	630.24	361.51	412.78	396.79	357.14
Provisions	11.43	23.74	8.85	22.78	30.00
Contract and Consultancy expenses	319.09	126.43	50.09	21.15	26.76
Incentive to Beneficiary States	-	-	75.49	81.25	98.81
TOTAL EXPENDITURE	2,094.21	1,289.76	1,293.86	1,186.58	1,002.65
Profit before Minority Interest and Tax	1,581.40	1,392.91	1,077.25	801.89	679.36
Provision for Taxation					
Current year tax and Fringe benefit tax	174.47	197.20	68.56	77.24	41.66
Deferred Tax	400.13	351.36	247.62	44.97	91.70
Deferred tax recoverable adjustment	(400.13)	(351.36)	(247.62)	(44.97)	(91.70)
Net Taxation	174.47	197.20	68.56	77.24	41.66
Profit after Tax before Minority Interest	1,406.93	1,195.71	1,008.69	724.65	637.70
Minority interest	174.62	127.64	129.40	46.09	1.90
Net Profit after minority interest	1,232.31	1,068.07	879.29	678.56	635.80
Balance brought forward	886.62	2,940.48	2,417.53	1,867.81	1,412.16
Balance available for appropriation	2,118.93	4,008.55	3,296.82	2,546.37	2,047.96
Appropriations					
Interim Dividend	100.00	72.00	64.00	60.00	60.00
Proposed Final Dividend	200.00	206.00	159.00	80.00	60.00
Corporate Dividend Tax	59.56	51.02	32.79	19.66	15.54
Transfer to General Reserve	-	2,800.00	-	-	-
Amount transferred to bonds redemption reserve	23.75		27.75		
Amount transferred to Self Insurance Reserve	116.64	77.55	72.90	59.83	44.61
Amount written back from Self Insurance reserve	(10.70)	(0.89)	(0.10)	-	-
Amount written back from bonds redemption reserve	-	(83.75)	-	(90.65)	-
Balance Carried to Balance Sheet	1,629.68	886.62	2,940.48	2,417.53	1,867.81

\$ Tariff Adjustment and Advance Against Depreciation has been netted from Sales.

The accompanying accounting policies and notes on accounts are an integral part of these statements

Annexure – II
CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Fixed Assets (A)					
a) Gross Block	27,220.14	17,025.68	16,724.98	14,175.58	12,031.45
Less: Depreciation	3,678.91	3,120.71	2,692.38	2,311.45	1,999.22
b) Net Block	23,541.23	13,904.97	14,032.60	11,864.13	10,032.23
Capital Work In Progress	6,287.44	1,3365.44	1,0143.73	9,772.13	8315.06
Construction Stores and Advances	1,077.74	861.66	837.06	995.91	989.74
Sub total (A)	30,906.41	28,132.07	25,013.39	22,632.17	19,337.03
INVESTMENTS (B)	2,046.79	2,320.33	2,576.78	2,576.78	2,576.78
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	91.91	103.54	113.85	164.43	347.57
Inventories	42.75	47.12	52.47	51.68	56.34
Contract Work-in-Progress	699.46	279.97	97.07	42.87	26.58
Sundry Debtors	904.58	909.88	594.94	676.96	597.91
Cash and Bank Balances	2,345.87	816.29	892.78	973.55	833.20
Other Current Assets	236.21	186.18	158.85	113.09	82.69
Loans and Advances	857.56	463.49	422.77	409.41	418.88
Sub total (C)	5,178.34	2,806.47	2,332.73	2,431.99	2,363.17
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	9,902.65	7,562.63	6,138.24	5,504.26	4,921.35
Unsecured loans	2,952.84	2,909.16	3,343.19	3,641.79	3,356.42
Minority Interest	1,375.57	1,242.58	1,130.99	1,006.39	800.10
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1,303.26	1,245.98	1,049.49	999.99	865.17
Current Liabilities & Provisions	3,771.83	2,415.43	1,778.47	1,513.14	1,402.84
Sub total (D)	19,306.15	15,375.78	13,440.38	12,665.57	11,345.88
Capital Contribution by Govt of Madhya Pradesh towards fixed assets (E)	1,177.88	1,109.26	1,092.35	826.98	605.80
NET ASSETS (A+B+C-D-E)	17,647.51	16,773.83	15,390.17	14,148.39	12,325.30
Represented by:					
Share Capital (F)	1,1182.49	1,1198.21	1,0215.28	9,425.62	7,775.63
Share Capital Deposit (G)	0.00	0.00	20.38	158.89	427.55
GOI Fund adjustable to Equity (H)	0.00	8.83	325.50	333.83	410.92
Reserve and Surplus (I)	6,465.36	5,592.59	4,853.55	4,230.05	3,711.20
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) (J)	0.34	25.80	24.54	0.00	0.00
NET WORTH(F+G+H+I-J)	17,647.51	16,773.83	15,390.17	14,148.39	12,325.30

The accompanying accounting policies and notes on accounts are an integral part of these statements

Annexure - III
CONSOLIDATED CASH FLOW STATEMENT FROM RESTATED FINANCIAL STATEMENT
(Rs. in crore)

		Year ended as at				
		31st March 2008	31st March' 2007	31st March' 2006	31st March' 2005	31st March' 2004
A	CASH FLOW FROM OPERATING ACTIVITIES					
	Net Profit before tax and extraordinary items	1,581.40	1,392.91	1,077.25	801.89	679.36
	ADD :					
	Depreciation including prior period	560.61	372.13	441.92	304.26	212.74
	Tariff Adjustment/Advance Against Depreciation	57.27	189.33	101.30	221.36	107.77
	Interest	608.12	338.91	381.50	366.74	323.63
	Other Provisions/Adjustments	6.97	23.38	41.66	18.38	16.48
	Loss/(Profit) on Sale of Assets	(53.37)	0.06	(0.44)	2.82	6.68
	Dividend Income	(1.31)	(1.29)	(1.00)	(1.04)	(0.10)
	Sub-Total	1,178.29	922.52	964.94	912.52	667.20
	Operating profit before working capital adjustments	2,759.69	2,315.43	2,042.19	1,714.41	1,346.56
	Adjustments					
	(Increase)/Decrease in Inventories	(6.17)	(3.14)	(6.88)	3.42	9.53
	(Increase)/Decrease in Contract Work in Progress	(419.48)	(182.91)	(54.19)	(16.29)	(16.11)
	(Increase)/Decrease in Receivables	(180.14)	(424.15)	27.39	(6.49)	(105.40)
	Increase/(Decrease) in Trade & Other Payables	1,114.13	569.40	185.67	103.25	(138.90)
	Sub-Total	508.34	(40.80)	151.99	83.89	(250.88)
	Cash generated from operations	3,268.03	2,274.63	2,194.18	1,798.30	1,095.68
	Less : Taxes-Paid	203.96	214.56	96.78	96.08	27.04
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	3,064.07	2,060.07	2,097.40	1,702.22	1,068.64
B	CASH FLOW FROM INVESTING ACTIVITIES					
	Purchase of Fixed Assets/Capital work in progress etc.	(3,149.27)	(3,206.44)	(2,757.15)	(3,323.02)	(2,343.73)
	Sale proceeds on disposal of fixed assets	107.22	0.66	0.48	1.09	8.19
	Investment	273.54	256.44	-	-	(4.00)
	Dividend Received	1.31	1.29	1.00	1.04	0.10
	NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	(2,767.20)	(2,948.04)	(2,755.67)	(3,320.89)	(2,339.44)
C	CASH FLOW FROM FINANCING ACTIVITIES					
	Proceeds from issue of share capital/Share Capital Deposit	-	645.88	642.82	1,304.24	1,438.42
	Dividend & Dividend Tax Paid	(369.58)	(266.37)	(165.09)	(146.03)	(88.20)
	Dividend Paid to Minority	(33.39)	(10.40)	(3.33)	1.18	-
	Proceeds on Borrowings	2,677.64	2,217.90	2,178.74	2,496.18	550.08

	Repayments of Borrowings	(492.05)	(1,187.04)	(1,742.30)	(1,657.86)	-
	Interest & Financial Charges	(621.11)	(633.82)	(620.62)	(624.22)	(632.75)
	Fund from GOMP	71.20	45.33	287.28	385.53	31.80
	NET CASH FLOW/(USED) FROM FINANCING ACTIVITIES (C)	1,232.71	811.48	577.50	1,759.02	1,299.35
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	1,529.58	(76.49)	(80.77)	140.35	28.55
	Cash & Cash Equivalents at the beginning of the year	816.29	892.78	973.55	833.20	804.65
	Cash & Cash Equivalents at the close of the year	2,345.87	816.29	892.78	973.55	833.20

Annexure IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 SIGNIFICANT ACCOUNTING POLICIES

BASIS FOR PREPARATION OF SUMMARY RESTATED CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements include accounts of NHPC Limited (the Company) and its Subsidiary Company i.e. Narmada Hydroelectric Development Corporation Limited. In subsidiary, the Company has directly or indirectly an interest of more than one half of the voting power or otherwise has power to exercise control over the operation. Subsidiary is consolidated from the date on which effective control is transferred to the Company till the date such control exist. All inter-company transactions, balances and unrealized surpluses and deficits on transactions between Group Companies are eliminated. Consistency in adoption of accounting policy is ensured to the extent practicable.

Investment in Subsidiary has been accounted for in accordance with the Accounting Standard 21 on consolidated financial statement.

The Consolidated Financial Statements have been prepared in accordance with historical cost convention, the accounting standards issued by ICAI and the relevant provisions of the Companies Act 1956.

The Consolidated Financial Statements are proposed to be included in Offer Documents to be filed by the Company with SEBI.

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

- 2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.
- 2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets.
- 2.3 Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.
- 2.4 Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.
- 2.5 Land taken for use from State government (without transfer of title) and expenses on relief and rehabilitation as also on creation of alternate facilities for land evacuates or in lieu of existing facilities coming under submergence and where construction of such alternate facilities is a specific pre condition for the acquisition of the land for the purpose of the project, are accounted for as Land-unclassified, to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project. However, NHDC treats expenses relatable to land, which is going to be sub-merged, as Rehabilitation & Resettlement expenses to be capitalized as Dam cost.

2.6 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation.

2.7 Construction equipments declared surplus are shown at lower of book value and net realisable value.

3. MACHINERY SPARES

3.1(a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.

3.1(b) WDV of spares is charged to revenue in the year in which such spares are consumed. Similarly value of such spares, procured & consumed in a particular year is charged to revenue in that year itself.

3.1(c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value whichever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.

3.2 Other spares are treated as “stores & spares” forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

4.1 Projects under commissioning and other capital work-in-progress are carried at cost. In respect of Projects under construction, incidental and attributable expenses (net of incidental income) including interest and depreciation on fixed assets in use during construction are carried as part of Incidental Expenditure During Construction to be allocated on major immovable Project Assets other than Land and infrastructural facilities, on commissioning of the Project.

4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to ‘Incidental Expenditure During Construction’.

4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project.

5. DEPRECIATION & AMORTISATION

5.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by regulations by the CERC, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by the Company (@ 30%) are adopted.

5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.

5.3 Assets valuing Rs 5,000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5,000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.

5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing up to Rs750/- are not capitalized and charged off to revenue.

5.5 Expenditure on software is recognized as ‘Intangible Assets’ to be amortized over three years.

- 5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.
- 5.7 Capital Expenditure referred to in Policy 2.3 is amortised over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

6. INVESTMENTS

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

7. INVENTORIES

- 7.1 (a) Stores & Spares other than scrap and spares of surplus construction equipments, are valued at cost on weighted average basis.
- (b) Scrap is valued at net realizable value.
- (c) Spares for surplus construction equipments are valued at lower of cost and net realizable value.
- 7.2 Losses towards unserviceable and obsolete stores and spares identified on review are provided in the accounts.
- 7.3 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.
- 7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

8. FOREIGN CURRENCY TRANSACTIONS

- 8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.
- 8.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to IEDC in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01/04/2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.

9. EMPLOYEE BENEFITS

- 9.1 Provision for Post employment benefit as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year-end.
- 9.2 Provision for Leave Travel concession, Leave Encashment & Baggage Allowance admissible on superannuation is made in the books on the basis of actuarial valuation made at the year end.
- 9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. REVENUE

- 10.1(a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.
- (b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.
- (c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.
- (d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.
- 10.2(a) Revenue from Construction Contracts is recognized on specified %age of completion method. Losses including those anticipated in the contracts are recognized immediately. Provision for contingencies is made in such cases and to such extent as is considered necessary to cover any claims that may arise during the defect liability period.
- 10.2(b) In respect of other Project Management/Consultancy Contracts/Cost plus Contract, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.
- 10.3 Interest on investments is accounted for on accrual basis.
- 10.4 Interest/Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. ALLOCATION OF CORPORATE OFFICE EXPENSES

Corporate Office Expenses are allocated as under:

- (a) On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- (b) In case of construction contract works awarded to and executed by the Corporation @ 5% of the project expenditure incurred during the year except in case of contracts of Rural Electrification & PMGSY, where allocation of expenditure in respect of dedicated division is made on the basis of services rendered.
- (c) The balance expenditure is allocated to construction projects in the ratio of net capital expenditure incurred during the year.

12. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to 'Self Insurance Reserve' on year to year basis by charge to Profit & Loss Account, to be utilized for losses of Assets for specified contingencies.

13. MISCELLANEOUS

- 13.1. Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.

- 13.2. Power supplied from Power Stations to Projects under construction is charged as per normal tariff.
- 13.3 Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.
- 13.4 Insurance claims are accounted for based on certainty of realization.

14. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

15. TAXES ON INCOME

Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a Pass-through to beneficiaries to the extent relatable to Core activity i. e. Generation of electricity.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2004 TO 31ST MARCH 2008 AND IMPACT THEREOF ON THE PROFITS

1. During the year ended 31st March 2004,
 - a) Expenditure on Relief and Rehabilitation against land taken for use from State government earlier being capitalised under 'land', now amortized over a period of 35 year from the date of commercial operation of the project.
2. During the year ended 31st March 2006,
 - a) Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.
 - b) In line with Accounting Standard 26 –'Deferred Revenue Expenditure' earlier being amortized over a specified period, is now charged to revenue in the year of expenditure.
 - c) Expenditure on VRS is charged to revenue in the year of expenses which was earlier capitalized under CWIP.
3. During the year ended 31st March 2007

Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)),

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Travelling Concession & Baggage Allowance on retirement)

were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the **(AS-15(R))** is applicable from financial year 2007-08. No restatement of provision made on account of Long term Benefits in 2006-07 as actuarial valuation was got done in 2006-07 only.

4. During the year ended 31st March 2008

a) Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956. No impact on profit as Loss/Gain on Foreign Exchange difference, being recoverable/payable from/to beneficiary states is transferred to Deferred Current Asset/Liability keeping in view the opinion of Expert Advisory Committee of the Institute of Chartered Accountants of India.

b) Modification of accounting policy on Construction Contract (Policy No. 10.2 (b)).

B. Notes on Accounts

1. Impact of changes in the Accounting Policies, Material Adjustments, Extra-ordinary and Prior Period items

(Rs. in crore)

S. No.	Particulars	Financial Year ended 31 st March 2008	Financial Year ended 31 st March 2007	Financial Year ended 31 st March 2006	Financial Year ended 31 st March 2005	Financial Year ended 31 st March 2004
	Profit after tax (before Minority Interest)	1,299.44	1,368.28	845.26	734.84	618.63
	Adjustment on account of					
1	Change in the Accounting Policies/method					
-	Machinery Spares treated as Insurance Spares (note no. 1.1 A (a))	-	-	24.39	-2.79	-15.68
-	Deferred/Misc. Revenue Expenditure Charged to Revenue (note no. 1.1 A (b))	-	1.44	1.39	-0.26	-2.56
-	Expenditure on VRS charged to Revenue (note no. 1.1 A (b))	-	-	-	-17.43	-0.18
-	Amortization of land unclassified (note no. 1.1 A (c))	-	-	-	-	5.37
-	Amortization & reclassification of R & R expenses/Land unclassified (note no. 1.1 A (d))	-13.22	-11.36	-10.52	-7.33	-0.69
-	Self Insurance Reserve is created through appropriation by reducing the expenditure (note no. 1.1 A (e))	32.90	20.21	19.70	11.03	1.82
	Total	19.68	10.29	34.96	-16.78	-11.92
2	Material Adjustments					
-	Sale of energy (note no. 1.1 A (f))	-16.63	-275.59	92.03	55.87	-2.16
-	Effect of Scheme for settlement of SEB dues and return of bonds (note no. 1.1 A (g))	-	-	-4.26	-0.60	10.03
-	Advance against depreciation (note no. 1.1 A (h))	-	19.31	-1.62	-7.51	26.36
-	Wage revision (note no. 1.1 A (i))	-	-	13.26	-2.76	-2.41
-	Provision no longer required (note no. 1.1 A (j))	-1.42	-3.18	2.61	-93.58	42.45

-	Surcharge (note no. 1.1 A (k))	-	-	-14.33	-	-63.93
-	Interest from beneficiary of earlier year (note no. 1.1 A (l))	-14.89	2.95	9.28	3.30	-0.65
	Total	-32.94	-256.51	96.97	-45.28	9.69
3	Prior Period Adjustment (note no. 1.1 A (m))	42.35	-3.69	-25.51	-4.62	-3.11
4	Income tax relating to earlier years (note no. 1.1 A (m))	15.08	27.51	12.97	19.56	-18.38
5	Impact of Auditors Qualification (note no. 1.1 A (n))	63.32	49.83	44.04	36.93	42.79
6	Total (Impact of Adjustments)	107.49	-172.57	163.43	-10.19	19.07
7	Adjusted Profit After Tax (before minority Interest)	1,406.93	1,195.71	1,008.69	724.65	637.70

1.1 NOTES ON ADJUSTMENTS CARRIED OUT

A) Having impact on Profit

- Amount of machinery spares treated as insurance spares, capitalised and depreciated over the residual life of machinery and WDV of such spares charged to revenue in the year of consumption adjusted in respective years.
- The deferred revenue, preliminary expenses, expenditure on VRS has been charged off to revenue in the year of expense.
- Impact of change in the method of amortization and reclassification of expenditure on Relief and Rehabilitation against land taken for use from State government, considered for earlier years.
- Payments relating to Rehabilitation and Resettlement have been treated as land un classified instead of dam cost. Depreciation there on has been recalculated at rates as those applied by the holding company.
- Self insurance reserve, which was created by charge to Profit & Loss account, has now been routed through appropriation account to follow the same accounting treatment as in case of holding company (refer to (n) below).
- Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective year and adjustment of amount recoverable against restatement of tax for earlier years.
- Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs. 2,564.44 crore against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.253.62 Crore were converted into interest bearing long term advance with effect from 1st October, 2001 Adjustment in respect of the aforesaid and incentive under the Scheme have been carried out in the respective years.

- Advance against Depreciation adjusted in the relevant years as per tariff orders of CERC.

- i. Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective year.
- j. Estimated provision against incentive payable to beneficiary reversed after assessment of actual liability based on terms of the tariff order of CERC.
- k. Surcharge received through Bonds has been adjusted in respective year.
- l. Interest from beneficiary states in respect of subsidiary pertaining to earlier years, received in 2007-08, is adjusted in respective years.
- m. The prior period items/income tax relating to earlier years in the profit and loss account have been re-allocated to respective years.

n. Impact of Auditor's Qualification

Impact of qualifications in Audit Report from the year 2006-07 onwards regarding capitalization of expenditure on Survey & Investigation including other incidental expenditure on some of the projects, where construction activities had to be suspended due to intervention of court/State government/public unrest etc. and from the year 2004-05 onward, on creation of Self Insurance Reserve by charge to Profit & Loss Accounts instead of Appropriation. Though management does not agree with the contention of the auditors in view of accounting policy No. 4.3 and 12, and also views of the Comptroller & Auditor General of India on Accounting Policy No. 12, yet for the purpose of restatement, impact of above qualifications has been considered.

B) Having no impact on the Profit

The shareholders in the Extra-Ordinary General Meeting held on March 13, 2007 have approved the sub-division of equity shares of face value of Rs. 1,000/- each into hundred equity shares of face value of Rs.10 each. Subsequent to this sub-division, the authorized equity share capital of Rs.15,000 crore has been divided into 1,500 crore equity shares of Rs. 10/- each and the issued, subscribed and paid up capital of Rs. 11,198.21 Crore, as on 31st March 2007 has been divided into 1,119.82 crore equity shares of Rs. 10/- each. Accordingly, all accounting ratios have been computed on the basis of number of equity shares post-split.

The accounts for the years 2003-04 to 2007-08 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of changes for the financial years prior to 2003-04 has been adjusted in the General Reserve as at 1st April 2003.

C) Adjustment not carried out

Qualification of the Auditors

- b. The Auditors in their report for the period ended, March 2007 & March 2006 has qualified that requirement of amended clause 33 of the Articles of Association regarding "Independent Directors should not be less than 50% of the actual strength of the Board", has not been complied with.

Since the aforesaid qualification does not have any financial impact over the profitability of the Company, no adjustment was carried out. In our opinion, this is a statement of the fact as stated by the auditors.

- c. The financial statement of the Subsidiary Company for the year ended 31st March 2006 states that effect of the Change in the Accounting Policy for treatment of Machinery spares as Insurance spares has not taken, in view of the cost of such spares is not known and therefore the impact on profit is not ascertainable.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference if any, in the Restated Summary Statements.

2) Contingent Liabilities

(Rs. in crore)

Particulars	Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005	Financial year ended 31.03.2004
Claims against the Company not acknowledged as debts in respect of					
Capital Works	3,328.53	1,929.42	1,354.20	1,009.40	537.68
Land Compensation Cases	84.48	132.52	152.05	51.44	14.84
Other	354.44	354.12	488.58	587.41	907.19
Disputed Income Tax Demand, Excise and Sales Tax	2,045.53	2,055.53	2,090.19	2,109.47	222.85
Total	5,812.98	4,471.59	4,085.02	3,757.72	1,682.56

3) Estimated amount of contracts remaining to be executed on capital account and not provided for

(Rs. in crore)

Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005	Financial year ended 31.03.2004
8585.74	8,844.81	9,006.45	7,163.38	6,448.95

4) Other significant notes on account as on:

31st March 2008

- Title deeds/title in respect of Land of some Projects/Units amounting to Rs.52.10 Crore, covering an area of 2080.40 hectare, has yet to be executed/passed. Expenses on stamp duty etc relating to registration thereof will be accounted for as and when incurred.
- Billing on account of year end adjustments towards FERV (Rs.1.07 Crore) and Income Tax (Rs. (-)16 Crore) is yet to be done. Sales in respect of Dulhasti & Teesta V (Unit No. 2) Power Stations have been accounted for based on provisional tariff notified by Central Electricity Regulatory Commission (CERC).
- Debtors for sales include an amount of Rs.120.81 Crore (Net), being recoverable from M/s Delhi Transco Limited (erstwhile DESU) pertaining to period prior to Financial Year 1996-97. In the opinion of management no provision is required in this regard as the case for recovery of the same has been taken up by Ministry of Power with Ministry of Finance, Govt. of India.
- In pursuance of Government of India decision, the Company has taken over, Uri-II, Kishanganga, Pakul Dul, Sewa-II, Bursur, Nimmo-Bazgo and Chutak Projects from J&KPDC for which demand of Rs. 84.89 Crore has been raised by J&KPDC. The Company has accounted for the claims of Rs. 33.66 Crore and balance amount shall be booked on final reconciliation of items and accounts submitted by J&K PDC.
- In pursuance of MoU signed by NHPC with Govt. of Uttarakhand (GoUK) on 1st November 2003, the Lakhwar Vyasi project was handed over to NHPC. An amount of Rs.246.86 Crore, spent by GoUK before it's handing over to NHPC, has not been incorporated in the books of accounts, as the implementation agreement for construction of said project has not been signed with GoUK.
- In accordance with the decision of Government of India, Siang Basin, Subansiri & Dibang Multipurpose Projects were transferred to the Corporation from Brahmaputra Board. Pending finalisation of handing over process and settlement of account with Brahmaputra Board and signing of MoUs for all the schemes in the State of Arunachal Pradesh except Dibang Multipurpose Project &

- Tawang Basin Projects, assets and liabilities in respect of these Projects have been booked to the extent of amounts incurred by the Corporation on these projects.
- (g) Claims recoverable include Rs.16.65 crore due from J&KPDC in respect of Baglihar Project handed over to them as per Government of India orders. In respect of Sawalkot Project, pending final handing over of the Project, capital expenditure aggregating to Rs.10.33 crore continues to appear as part of the assets of the Corporation whereas ad hoc advance of Rs.5.36 crore received from J&KPDC in respect of this Project is however shown under 'Current Liabilities' and shall be adjusted on final settlement of account.
 - (h) The project work at Subansiri Upper & Subansiri Middle is pending due to the Honourable Supreme Court order dated 19.04.2004 in Interlocutory Applications (IAs) 966 & 1012, restraining the construction of dam upstream of Subansiri River. However, subsequently the State Govt. of Arunachal Pradesh has filed an IA No. 1362-63 for construction of projects, which was heard by Honourable Supreme Court on 21.07.2006 and has referred the issue to Standing Committee of the National Board of Wildlife (NBWL).
 - (i) Pursuant to the order of Govt. of Arunachal Pradesh/Govt. of India, Corporation had decided to hand over Siyom & Siang Lower Project referred to in Note No.3 (f) above as originally taken over from Brahmaputra Board, to private developers. DPR of both the projects were handed over in December 2007. Other fixed assets & CWIP of Siyom project, except some of the asset decided to be retained by NHPC, has been handed over to M/s Siyom Hydro Project Private Limited vide Memorandum of transfer on 17.04.2008. Accordingly, a profit of Rs.52 Crore has been recognised in the books on sale of project. However, handing over of Siang Lower Project to M/s Jai Prakash Ltd. is yet to be completed and as such, expenditure of Rs.41.90 Crore is appearing under the Schedule of Fixed Assets & CWIP and amount of Rs.78.78 Crore received from M/s Jai Prakash Ltd. is appearing under the Schedule of Current Liabilities.
 - (j) In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries.
 - (k) Pending signing of agreement between NHPC & Govt. of Manipur for formation of Joint Venture Company for the execution of Loktak Down Stream Project, as decided by Govt. of India, capital expenditure of Rs.29.80 Crore (Previous year Rs.29.44 Crore) is appearing under Capital Work in Progress.
 - (l) Balances shown under Material issued to contractors, claims recoverable, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/confirmation and respective consequential adjustments.
 - (m) In the opinion of the management, the value of current assets, loans and advances on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet
 - (n) Electricity generation is the principal business activity of the Company. Other operations viz., contract works and consultancy services do not form a reportable segment as per the Accounting Standard – 17 on Segment Reporting issued by the Institute of Chartered Accountants of India. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.
 - (o) The depreciation on Fixed Assets is charged as per Significant Accounting Policy No. 5 of the Company. The GOI has notified Tariff Policy, which provides that rates of depreciation as notified by Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. Pending formulation of norms by CERC in accordance with the tariff policy, the rates notified under present tariff norms are considered appropriate for depreciation for the year.
 - (p) The Management is of the opinion that no provision for impaired assets is required under Accounting Standard (AS)-28 on Impairment of assets.
 - (q) Pursuant to the approval of Ministry of Power to abandon the Koel Karo Project, expenditure to the extent of Rs.24.55 Crore, being equal to equity capital of the project, has been borne by Govt. of India. Accordingly, Shareholders through Special Resolution in Annual General Meeting (AGM) held on 28.07.2006 has approved the reduction in equity capital. Entry for reduction in equity has been carried out in current year since the reduction of Share Capital has been confirmed vide Ministry of Company Affairs order No. 40/4/2006-CL-III dated 09.04.2007 and has been registered by the Registrar of Companies on 20.04.2007.
 - (r) Wage revision of the employees of the Corporation is due w. e. f. 01.01.2007. Pending decision of the committee formed by Govt. of India as regard to wage revision, a provision of Rs.159.60 Crore has been made in current year in the books on reasonable estimate basis. Similarly, an amount of Rs.29.68

- Crore has been provided towards wage revision arrear due w.e.f. 01.01.2006 to personnel working in NHPC from other organization.
- (s) In terms of Accounting Standard (AS) 15 (2005) on “Employee Benefits”, a provision of Rs.109.95 Crore has been made towards employee benefits based upon actuarial valuation.

Annexure-V**STATEMENT OF DIVIDEND PAID BY THE COMPANY –CONSOLIDATED***(Rs. in crore)*

Particulars	For the year ended at				
	31st March' 2008	31st March' 2007	31st March' 2006	31st March' 2005	31st March' 2004
Equity Share Capital					
Face Value (Rs)*	10	10	10	10	10
Nos.	11,18,24,93,430	11,19,82,12,500	10,21,52,82,000	9,42,56,19,700	7,77,56,29,700
Rate of Dividend (%)					
Interim	0.89	0.64	0.63	0.64	0.77
Final	1.79	1.84	1.56	0.85	0.77
Amount of Dividend					
Interim	100.00	72.00	64.00	60.00	60.00
Final	200.00 **	206.00	159.00	80.00	60.00
Corporate Dividend Tax	59.56	51.02	32.79	19.66	15.54

* Face value of equity shares has been sub divided from Rs. 1,000/- per share to Rs.10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated from earlier years.

** Proposed Dividend

Annexure - VI

STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT - CONSOLIDATED

S. No.	Key Ratio	Year Ended as at				
		31st March' 2008	31st March' 2007	31st March' 2006	31st March' 2005	31st March' 2004
A	Earning Per Share (Rs.)*					
	Basic	1.10	1.02	0.89	0.76	0.87
	Diluted	1.10	0.99	0.86	0.74	0.82
B	Return on Net Worth (%) \$	6.98	6.37	5.71	4.80	5.16
	Net Assets Value per share (Rs.) \$	15.78	14.97	14.57	14.26	14.31
C						
D	Weighted Average number of Equity shares used as denominator					
		11,174,850.5	10,502,319.4	9,897,284.40	8,881,641.90	7,331,006.10
	Basic	74	59	0	0	0
		11,183,030.0	10,822,615.2	10,226,184.9	9,215,475.70	7,741,929.90
	Diluted	42	90	00	0	0
E	Total number of shares outstanding at the end of the year/period @	11,182,493.4	11,207,043.4	10,561,163.0	9,918,343.70	8,614,103.70
		30	00	00	0	0

\$ Share Capital Deposit and GOI fund adjustable to equity has been considered in Net Worth.

*Face value of equity shares has been sub divided from Rs. 1,000/- per share to Rs.10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated from earlier years.

@ Outstanding number of shares has been adjusted to the extent of equivalent share of Rs.10/- each for Share Capital Deposit and GOI funds adjustable toward equity, for which share has been issued subsequently or commitment for issue of shares is there.

The ratios have been computed as below

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after tax}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth \%} = \frac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve/Capital Grant recd against Fixed Assets}}$$

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

Annexure-VII

CAPITALISATION STATEMENT OF THE COMPANY-CONSOLIDATED

(Rs. in crore)

S. No.	Particulars	Pre-Issue as at 31st March 2008	Post Issue
A.	Debt:		
	a) Short-term Debt	749.69	
	b) Long-term Debt	12,105.80	
	Total Debt:	12,855.49	
B.	Equity		**
	a) Equity Share Capital	11,182.49	
	b) Reserves & Surplus	6,465.36	
	Total Equity	17,647.85	
	Less: Miscellaneous Expenditure to the extent not written off	0.34	
	Net Worth	17,647.51	
C.	Long-term Debt/Equity	0.69 : 1	

****** *These figures can be ascertained only on the conclusion of the book building process.*

Annexure- VIII

STATEMENT OF SECURED LOAN - CONSOLIDATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
BONDS (refer Note 1 below)	570.00	570.00	1,000.00	1,028.00	1,056.00
TERM LOANS Term Loan from Banks/FIs- Indian Currency-Secured (refer Note 2 below)	9,332.65	6,992.63	5,138.24	4,476.26	3,865.35
Total (Secured Loan)	9,902.65	7,562.63	6,138.24	5,504.26	4,921.35

Note 1

BOND Series	Loan amount as at 31st March, 2008	Security Mortgaged	Interest Rate	Repayment terms
15 year Bond of Rs.100,000,000/- (O-Series, Private Placement)	570.00 570.00	* 2	7.70%	Earliest redemption on 31.03.09

Note 2

The terms and conditions of the term loans from Banks and FIs, outstanding as at March 31, 2008, including interest rates, principal terms of Security and repayment terms are as under:

Name of the Lender	Loan amount as at March 31, 2008	Security Mortgaged	Interest Rate	Repayment terms
CANARA BANK	85.00	*1	6.75	In 5 equal yearly installment w.e.f. 31.01.09
INDIAN OVERSEAS BANK	50.00	*1	10.25	In 4 equal yearly installment w.e.f. 06.12.08
STATE BANK OF PATIALA	36.00	*1	8.322	Repayable in 20 half yearly installments w.e.f. 9.7.2007
BANK OF INDIA	85.00	*3	11	In 10 years in 40 equal quarterly installment w.e.f. 24.12.06
CENTRAL BANK OF INDIA	60.00	*3	10	In 20 half yearly installment of Rs.5 crore w.e.f. 2.5.04
HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	78.57	*3	10.5	In 14 equal half yearly installment w.e.f. 13.02.07
PUNJAB & SIND BANK	85.00	*3	10.5	In 40 quarterly installment in 10 years w.e.f. 24.10.06

PUNJAB NATIONAL BANK	97.50	*3	10.25	In 10 years in 20 half yearly installment w.e.f. 26.10.04
STATE BANK OF PATIALA	39.29	*3	11	In 14 half yearly installment w.e.f. 30.01.07
STATE BANK OF HYDERABAD	39.29	*3	10	In 14 half yearly installment w.e.f. 07.01.07
STATE BANK OF INDIA	107.14	*3	10.5	In 14 half yearly installment w.e.f. 18.09.06
CANARA BANK	50.00	*4	10.5	In 4 equal yearly installment w.e.f. 28.06.09
L I C OF INDIA	2500.00	*5 & *7	8 & 9.25	In 24 half yearly installment in 12 years w.e.f. 15.04.09
CANARA BANK	180.00	*2	6.86	In 10 equal yearly installment w.e.f. 09.11.07
SYNDICATE BANK	164.70	*2	7.207	In 10 equal yearly installment w.e.f. 23.02.08
ORIENTAL BANK OF COMMERCE	180.00	*2	7.207	In 10 equal yearly installment w.e.f.31.03.08
ORIENTAL BANK OF COMMERCE	100.00	*2	6.86	In 10 equal yearly installment w.e.f. 27.12.11
LIFE INSURANCE CORPORATION OF INDIA	1496.00	*6	13 year G-sec plus 75bps	In 24 half yearly installment in 12 years w.e.f. 30.04.12
INDIAN BANK	100.00	*1	7.7	In 3 equal yearly installment w.e.f. 28.02.12
POWER FINANCE CORPORATION LTD.	50.00	*8	AAA 3 Year Corp. Bonds plus 50Bps	40 equal quarterly installment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	120.00	*9		40 equal quarterly installment w.e.f. 15.10.08
POWER FINANCE CORPORATION LTD.	70.00	*9		40 equal quarterly installment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	190.00	*10		40 equal quarterly installment w.e.f. 15.04.10
POWER FINANCE CORPORATION LTD.	260.00	*11		40 equal quarterly installment w.e.f. 15.07.09
POWER FINANCE CORPORATION LTD.	210.00	*11		40 equal quarterly installment w.e.f. 15.04.09
ORIENTAL BANK OF COMMERCE	183.33	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
J & K BANK	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
ANDHRA BANK	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
CANARA BANK	137.50	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
BANK OF INDIA	320.83	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
DENA BANK	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from

				31.12.2007
UNITED BANK OF INDIA	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
PUNJAB & SINDH BANK	45.83	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
SIDBI	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
UNION BANK OF INDIA	91.67	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
PUNJAB NATIONAL BANK	252.08	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
INDIAN OVERSEAS BANK	45.82	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
BANK OF BARODA	13.75	*12	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
UNION BANK OF INDIA	300.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
INDIAN OVERSEAS BANK	50.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
CORPORATION BANK	100.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
CANARA BANK	104.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
CENTRAL BANK OF INDIA	138.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
PUNJAB NATIONAL BANK	173.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
SIDBI	35.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
UNITED BANK OF INDIA	75.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
SYNDICATE BANK	75.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
ORIENTAL BANK OF COMMERCE	150.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
ALLAHABAD BANK	150.00	*12	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009

TOTAL	9,332.65			
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- *1 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-I situated in the state of Himachal Pradesh except for Book Debts and Stores.
- *2 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Uri -I Power Station situated in the state of Jammu & Kashmir except for book debts and stores.
- *3 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-II situated in the state of Himachal Pradesh except book debts & stores.
- *4 Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of Company's Loktak Power Station situated in the state of Manipur except for book debts and stores.
- *5 Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Company's Parbati HE Project-II situated in the state of Himachal Pradesh.
- *6 Secured by the hypothecation of the moveable assets of the Corporation's Subansiri Lower H.E. Project situated in the state of Arunachal Pradesh & equitable mortgage/hypothecation against immovable/movable assets of Corporations Teesta Low Dam-III Project situated in the state of West Bengal and Teesta V H.E. Projects situated in the State of Sikkim.
- *7 Secured by a first pari-passu mortgage and charge over all the immovable and moveable assets of the Company's Dhauliganga Power Station situated in the state of Uttarakhand except for book debts & stores.
- *8 Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores. The charge has been filed with ROC on 09/05/2008.
- *9 Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores. The charge has been filed with ROC on 02/05/2008.
- *10 Secured by way of first pari-passu charge by way of mortgage/hypothecation on whole of the Corporation's immovable/movable assets, both present and future, of Uri-I Power Station & Chamera-II Power Station situated in the state of Jammu & Kashmir & Himachal Pradesh respectively except for book debts & stores. Security creation under process and charge is yet to filed with ROC.
- *11 Secured by way of first pari-passu charge by way of mortgage/hypothecation on whole of the Corporation's immovable/movable assets, both present and future, of Chamera-I Power Station situated in the state of Himachal Pradesh except for book debts & stores. Security creation under process and charge is yet to filed with ROC.
- *12 Secured by first pari passu charge in the favour of lenders over all the assets, both present and future, of Indira Sagar power station/Omkareshwar project for the respective portion of long term loan.

Annexure-IX
STATEMENT OF UNSECURED LOANS - CONSOLIDATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
TERM LOANS					
i) Term Loan From Banks/FIs - Indian Currency	-	-	100.00	100.00	100.00
ii) Term Loan From Banks/FIs - Foreign Currency					
(a) Guaranteed by Government of India	2,737.41	2,710.04	2,888.40	2,698.05	2,380.24
(b) Others	215.43	199.12	204.79	219.49	226.18
iii) From Public Sector Banks	-	-	150.00	624.25	650.00
Total	2,952.84	2,909.16	3,343.19	3,641.79	3,356.42
Name of the Lender	Loan amount as at March 31, 2008	rate of Interest	Repayment terms		
Term Loan From Banks/FIs - Foreign Currency					
(a) Guaranteed by Government of India					
- Nordic Investment Bank	60.62	6m US\$ libor+0.15%	Repayable in 23 equal semi annual installments w.e.f. 24.01.2000 Repayable in 17 equal semi annual installments w.e.f. 30.06.2002 Repayable in 24 equal semi annual installments w.e.f. 15.09.2004 Repayable in 41 equal semi annual installments w.e.f. 20.01.2006 Repayable in 41 equal semi annual installments w.e.f. 20.12.2007 Repayable in 41 equal semi annual installments w.e.f. 20.03.2014 Repayable in 20 equal semi annual installments w.e.f. 18.04.2009		
- Credit Commercial DE France	268.25	8.96%			
- Export Development Canada	402.42	6.01%			
- Japan Bank of International Cooperation Tranche-I	175.89	2.30%			
- Japan Bank of International Cooperation Tranche-II	641.14	2.30%			
- Japan Bank of International Cooperation Tranche-III	472.48	1.30%			
- Deutsche Bank & Others	716.61	6m JPY libor+0.57%			
	2,737.41				
(b) Others					
- ECB - BARCLAYS & SCB	215.43	6m JPY libor+1.19%	Bullet repayment on 09.01.2014, subject to an irrevocable put option to the lender for bullet repayment on 09.01.2009.		
TOTAL UNSECURED LOANS	2,952.84				

Annexure-X
STATEMENT OF INVESTMENT CONSOLIDATED

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Unquoted					
Tax Free State government Special Bonds	2,034.43	2,307.97	2,564.42	2,564.42	2,564.42
Equity Share	0.00	0.00	0.00	0.00	12.00
Quoted					
Equity Shares *	12.36	12.36	12.36	12.36	0.36
Sub Total	2,046.79	2,320.33	2,576.78	2,576.78	2,576.78
Less: Provision for permanent Diminution in Investment	0.00	0.00	0.00	0.00	0.00
Total	2,046.79	2,320.33	2,576.78	2,576.78	2,576.78
Aggregate Book value of Quoted Investments	12.36	12.36	12.36	12.36	0.36
Aggregate Market value of Quoted Investments	120.20	75.18	74.36	60.47	2.03
Aggregate Book value of Un quoted Investments	2,034.43	2,307.97	2,564.42	2,564.42	2,576.42

* including investment in PTC India Ltd - for Rs. 12 crore (previous year Rs.12 crore)

Annexure - XI

STATEMENT OF SUNDRY DEBTORS, AS RESTATED - CONSOLIDATED

(Rs. in crore)

S. No.	Particular	Year Ended as at				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
	Debts Unsecured					
i)	Debts outstanding for a period exceeding six months					
	- Considered good	593.37	155.45	452.66	414.40	347.95
	- Considered doubtful and provided	77.13	75.94	77.07	77.56	84.75
ii)	Other debts					
	- Considered good	311.21	754.43	142.28	262.56	249.96
		981.71	985.82	672.01	754.52	682.66
	Less: Provision for doubtful debts	77.13	75.94	77.07	77.56	84.75
	TOTAL	904.58	909.88	594.94	676.96	597.91

Annexure-XII
STATEMENT OF LOANS AND ADVANCES- Consolidated

(Rs. in crore)

	Particulars	Year Ended as at				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
A	Loans- to Employees including interest accrued thereon)					
	Secured - Considered good	108.60	101.17	97.59	84.04	76.84
	Unsecured - Considered good	28.65	31.56	32.55	41.41	39.55
B	Advance Recoverable in Cash or kind or Value to be received					
	Secured considered good	0.07	35.14	0.30	0.35	-
	Unsecured considered good	32.65	28.96	15.48	9.99	23.28
	Unsecured considered doubtful)	0.50	0.46	0.44	0.52	0.54
	Less : Provisions for doubtful advances and claims	0.50	0.46	0.44	0.52	0.54
		169.97	196.83	145.92	135.79	139.67
C	Long Terms Advances to State government in Settlement of Dues	215.58	253.62	253.62	253.62	253.62
	Advance to Government of Arunachal Pradesh	225.00	-	-	-	-
	Deferred Foreign Currency Fluctuation Assets	219.37	-	-	-	-
D	Other Recoverables (Net)	-	-	0.03	12.00	16.89
	Advance income tax (Net of Provision)	27.64	13.04	23.20	8.00	8.70
	TOTAL	857.56	463.49	422.77	409.41	418.88

Annexure-XIII**STATEMENT OF OTHER INCOME - AS RESTATED - CONSOLIDATED**

(Rs. in crore)

Particulars	For the year ended at				
	Marc h 31,200 8	Marc h 31,200 7	Marc h 31,200 6	Marc h 31,200 5	Marc h 31,200 4
Other Income	231.70	76.24	58.96	41.08	77.37
Net Profit before tax before Minority interest, as restated	1581.4 0	1392.9 1	1077.2 5	801.89	679.36
Percentage	14.65	5.47	5.47	5.12	11.39

Detail of other income

Particulars	Marc h 31, 2008	Marc h 31, 2007	Marc h 31, 2006	Marc h 31, 2005	Marc h 31, 2004	Nature of Income
Income from Deposit/Advance/Term Deposit	109.54	47.61	24.77	11.77	6.61	Recurring
Interest from Beneficiaries	44.46	4.45	9.28	3.31	0.00	Recurring
Interest on Corporate Loan	0.00	0.00	0.00	0.00	10.97	Non –Recurring
Dividend Income	1.30	1.29	1.00	1.04	0.10	Recurring
Surcharge on late payment from Customer	2.06	7.92	10.10	2.79	40.67	Recurring
Profit on Sale of Project	52.00	0.00	0.00	0.00	0.00	Non –Recurring
Profit on Income from Scrap/Sale of Assets	2.86	1.07	1.02	3.72	1.98	Recurring
Other Miscellaneous Income	19.48	13.90	12.79	18.45	17.04	Recurring
TOTAL	231.70	76.24	58.96	41.08	77.37	

Annexure XIV
STATEMENT OF TAX SHELTER - Consolidated

(Rs. in crore)

PARTICULARS	For the year ended at				
	Mar 31, 2008	Mar 31, 2007	Mar 31, 2006	Mar 31, 2005	Mar 31, 2004
Rate of Tax	33.99%	33.66%	33.66%	36.59%	35.88%
A PROFIT BEFORE TAX AS RESTATED (refer note no.1) (A)	1,616.02	1,403.65	1,080.70	804.34	684.22
NOTIONAL TAX ON BOOK PROFIT	549.29	472.47	363.77	294.33	245.47
ADJUSTMENTS					
B PERMANENT DIFFERENCES					
Dividend Income exempt u/s 10(34)	(36.06)	(12.12)	(4.46)	(2.26)	(0.10)
Donations	0.07	0.03	0.01	1.00	0.02
Interest on tax free power bonds	(209.22)	(234.08)	(239.53)	(239.53)	(239.53)
Tax Holiday Claim u/s 80-IA	(181.63)	(92.30)	0.00	0.00	0.00
Others	18.63	19.74	23.54	19.25	0.00
TOTAL PERMANENT DIFFERENCE (B)	(408.21)	(318.73)	(220.44)	(221.54)	(239.61)
C TIMING DIFFERENCE					
Diff. Between book depreciation and Tax depreciation	(1298.56)	(366.05)	(817.04)	(724.06)	(600.96)
Profit on sale of assets	(2.86)	(0.60)	(0.74)	(3.06)	(1.54)
Loss on sale of assets	1.36	0.54	0.12	5.88	8.21
Tax, duty and other sum u/s 43B	27.64	33.29	27.12	27.07	24.31
Others	11.66	7.88	11.42	8.95	(78.41)
Adjustment for brought forward losses/unabsorbed depreciation (utilized)/created	52.95	(759.98)	(81.14)	102.42	203.78
TOTAL TIMING DIFFERENCES (C)	(1207.81)	(1084.92)	(860.26)	(582.80)	(444.61)
NET DIFFERENCES (B)+(C)	(1616.02)	(1403.65)	(1080.70)	(804.34)	(684.22)
D TAX SAVINGS THEREON	549.29	472.47	363.77	294.33	245.47
TAXABLE INCOME AS PER IT RETURN (A)+(D)	0.00	0.00	0.00	0.00	0.00
E TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)					
Tax rate u/s 115JB	11.33%	11.22%	8.42%	7.84%	7.69%
Tax u/s 115JB	163.93	185.88	60.43	61.32	29.94
TOTAL TAX AS PER RETURN	163.93	185.88	60.43	61.32	29.94
G CARRIED FORWARD LOSSES/UNABSORBED DEPRECIATION AT THE YEAR END	371.96	319.01	1,078.99	1,160.13	1,057.71

- Note 1: The aforesaid statement of Tax Shelter has been prepared on the line of Accounting Standards interpretation (ASI) 26 on Accounting Standard (AS) 21 'Consolidated Financial Statements' given by the Institute of Chartered Accountants of India. As per ASI-26 in consolidated financial statement, tax expenses are to be shown as a aggregate amount of tax expense appearing in the separate financial statement of parent and subsidiary.
- Note 2: In line with Power tariff agreements with State Electricity Boards, tax liability on generation income is pass through to beneficiaries.
- Note 3: The figures for the year ended at March 31, 2008 are based on the provisional computation of total income.

Annexure – XV
RELATED PARTY TRANSACTIONS

Statement of Related Party Transactions

1) List of Related Parties

a) Subsidiary Company/Joint ventures

- **Narmada Hydroelectric Development Corp Ltd.** - 51% Share Holding in the Company
- **PTC India Ltd.** – 5.28% Share Holding in the Company.

b) Key Management Personnel

In compliance of Accounting Standard –18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:

As on 31st March 2008.

NHPC (Whole time Directors):

Shri S.K. Garg	Chairman & Managing Director
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)-Relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects)
Shri A B L Srivastava	Director (Finance)-Appointed w. e. f. 11.02.2008

NHDC (Directors)

Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director.
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As on 31st March 2007.

NHPC (Whole time Directors)

Shri S.K. Garg	Chairman & Managing Director w. e. f. 23/01/2007. Also holding additional charge of Director (Finance). Earlier Director (Finance) with additional charge of Chairman & Managing Director w. e. f. 01.10.2005.
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)
Shri S. K. Dodeja	Director (Projects) w. e. f. 02/09/2006.

NHDC (Directors)

Shri T. Mandal	Whole time Director & designated Chief Executive Director (from 19.09.2006 to 28.02.2007).
Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director (w. e. f. 28.02.2007).

As on 31st March 2006

NHPC (Whole time Directors)

Shri S. K. Garg	Director (Finance) with additional charge of Chairman & Managing Director w.e.f 01.10.2005
Shri S. K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical) (Joined on 04.08.2005)
Shri A. K. Gangopadhyay	Director (Projects with additional charge of Director (Technical) up

	to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005 (Retired on 30.09.2005 after attaining the age of superannuation).
Shri Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation)

NHDC(Directors)

Shri. S. K. Garg	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Uday Kumar Verma	Director
Shri S K Dodeja	Chief Executive Director
Shri R K Taneja	Director
Shri I C Jain	Director
Shri Rajesh Dongre	Director

As on 31st March 2005

NHPC (Whole time Directors)

Shri A. K. Gangopadhyay	Director (Projects) with additional charge of Director (Technical) up to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005)
Shri S. K. Garg	Director (Finance)
Shri S. K. Chaturvedi	Director (Personnel) (joined on 08.10.2004)
Shri. Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation).
Shri R. K. Sharma	Director (Technical) (Up to 21.10.2004)

NHDC (Directors)

Shri A K Gangopadhyay	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Ranvir Singh	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri J K Tiwari	Director
Shri Rajesh Dongre	Director

As on 31st March 2004

NHPC (Whole time Directors)

Shri Yogendra Prasad	Chairman & Managing Director
Shri R Natrajan	Director (Finance) (up to 06.05.2003)
Shri S K Garg	Director (Finance) (w.e.f. 01.07.2003)
Shri A K Gangopadhyay	Director (Projects)
Shri R K Sharma	Director (Technical)
Shri Binay Kumar	Director (Personnel) (ceased w.e.f. 07.07.2003)

NHDC (Directors)

Shri Yogendra Prasad	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Pradeep Bhargava	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri Rajesh Dongre	Director

2) Remuneration paid/payable to Key Management Personnel

NHPC

(Rupees in crore)

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
(i)	Salaries & Allowances	0.40	0.28	0.42	0.34	0.33
(ii)	Contribution to Provident Fund	0.03	0.03	0.04	0.03	0.03
(iii)	Rent for Residential Accommodation	0.09	0.08	0.08	0.07	0.10
(iv)	Other benefits	0.02	0.03	0.03	0.03	0.03

NHDC

(Rupees in crore)

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
(i)	Salaries & Allowances	0.09	0.03	0.06	0.07	0.05
(ii)	Contribution to Provident Fund	0.01	0.00	0.01	0.01	0.01
(iii)	Rent for Residential Accommodation	0.01	0.01	0.00	0.00	0.00
(iii)	Other benefits	0.01	0.01	0.00	0.00	0.02

3) Other transactions with PTC India Ltd.

(Rupees in crore)

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
1	Investment	0.00	0.00	0.00	0.00	4.00
2	Dividend Recd	1.20	1.20	0.96	0.96	NIL

The transaction with the related parties, for which disclosures are required to be made in terms of AS 18, has been disclosed above. Other Related Party is 'State-controlled Enterprise' and hence no disclosures is required as per paragraph 9 of AS 18

AUDITORS' REPORT
ON RESTATED SUBSIDIARY'S UNCONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad (Haryana)

Dear Sir

- A. We have examined the attached summary of Restated Unconsolidated Financial Statements, of Narmada Hydroelectric Development Corporation Limited (the '**Subsidiary**'), annexed to this report stamped and initialled by us for identification, for the five financial years ended 31st March 2008. This Restated Unconsolidated Financial Statements of the Subsidiary are based on the accounts audited by other auditors' viz. M/s O.P. TOTLA & CO. for the year ended on March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 and by M/s M. Mehta & Co. for the year ended March 31, 2004.

These Restated Unconsolidated Financial Statements of the Subsidiary have been approved by the official authorised by the Board and are extracted from the audited financial statements after making such adjustments and regroupings as in our opinion are appropriate and fully described in notes appearing in Annexure IV to this report.

These financial statements have been restated after taking into consideration:

- (i) Adjustments for change in the accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
- (ii) Adjustments for the material amounts in the respective financial years to which they relate.
- (iii) Any adjustments for qualification requiring adjustments in the accounts in respective financial years to which they relate.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report

The preparation and presentation of these financial statements are the responsibility of the Company's management. These financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

- B. We have performed such tests and procedures, which, in our opinion, were necessary for the purpose of our examination. These procedures include comparison of the attached financial statements with the Subsidiary Company's audited financial statements for the year 2003-04 to 2007-08.

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

- C. In accordance with the requirements of;
- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act 1956.
 - (ii) The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 issued by SEBI as amended in pursuance of Section II of SEBI Act, 1992 and related clarifications,

- (iii) Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as ‘the Issue’).

We have examined:

- (a) the attached summary of Profits & Loss account, as restated, of the Subsidiary, for the five financial years ended 31st March 2008, as set out in Annexure I, the attached summary of Assets and Liabilities, as restated, of the Subsidiary as at the end of the above periods, as set out in Annexure II and the attached statement of Cash Flows, as restated, of the Subsidiary for the above periods as set out in Annexure III; together referred to as ‘Restated Subsidiary’s Unconsolidated Financial Statements’.
- (b) Other financial statements, as restated, relating to the Subsidiary, proposed to be included in the Offer Document, as annexed to this report:
- (i) Significant Accounting Policies and Notes on Accounts, Change in Accounting Policies and impact of adjustments of change in accounting policies, material adjustments and prior period items – (Annexure – IV)
 - (ii) Statement of Dividend Paid - (Annexure – V)
 - (iii) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
 - (iv) Capitalisation Statement. - (Annexure – VII).
 - (v) Statement of Secured Loans - (Annexure – VIII)
 - (vi) Statement of Unsecured Loans- (Annexure – IX).
 - (vii) Statement of investments - (Annexure – X).
 - (viii) Statement of Sundry Debtors - (Annexure – XI)
 - (ix) Statement of Loans & advances- - (Annexure – XII)
 - (x) Statement of Other Income - (Annexure –XIII).
 - (xi) Tax Shelter Statement - (Annexure – XIV)
 - (xii) Statement of Related Party transactions - (Annexure – XV).

Based on our examination of these Restated Subsidiary’s Unconsolidated Financial Statements, we confirm that:

- (i) These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the significant accounting policies and notes thereon as attached in Annexure – IV.
- (ii) The restated Subsidiary’s unconsolidated financial Statement have been restated after making necessary adjustment and regrouping, with retrospective effect to reflect the significant accounting policies being adopted by the Company March 31, 2008 as stated in Annexure – IV.
- (iii) In our opinion, restated Subsidiary’s unconsolidated financial Statement, as attached to this report, read with the significant accounting policies and significant notes to accounts, after making necessary adjustments and regroupings has been prepared in accordance with Part II of Schedule II of the Company Act 1956 and guidelines issued by SEBI.
- (iv) Necessary adjustments for qualification in Auditor’s report have been carried out in the restated Subsidiary’s unconsolidated financial Statement. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.
- (v) Without qualifying our opinion, we draw attention to Note A.2 (3) of Annexure IV to this report. The Company adopted the Accounting Standard (AS) 15, “Employee Benefits (Revised)” in preparing the financial statements for the year ended 31st March 2007 onwards. However, for the purpose of the restated statements, AS-15 (revised) has not been applied for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 as

the same was not applicable in those years and the impact of which is not readily ascertainable.

- (vi) There are no extra-ordinary items that need to be disclosed separately in the accounts.
- (vii) This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **G S A & Associates**
Chartered Accountants

(Sunil Aggarwal)
Partner
Membership No, 83899
Place : Faridabad
Dated : June 27, 2008

Annexure – I
STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED OF THE SUBSIDIARY COMPANY

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Income					
Sales	681.10	540.16	477.25	226.05	20.22
Other Income	72.08	21.09	16.46	6.00	0.11
TOTAL INCOME	753.18	561.26	493.71	232.05	20.33
Expenditure					
Generation, Administration and other Expenses	27.22	17.88	14.62	13.17	3.41
Employees' Remuneration and Benefits	23.15	13.91	9.67	4.31	0.45
Depreciation	115.16	77.55	72.52	45.69	4.49
Interest and Finance charges	184.25	129.77	120.21	70.99	6.91
Provisions	0.00	0.00	0.41	0.00	0.00
TOTAL EXPENDITURE	349.78	239.11	217.42	134.16	15.27
Profit before tax	403.40	322.15	276.28	97.89	5.06
Provision for Taxation					
Current year tax and Fringe benefit tax	47.01	61.66	12.22	3.83	1.18
Deferred Tax	152.00	183.81	59.71	10.65	5.97
Deferred tax recoverable adjustment	(152.00)	(183.81)	(59.71)	(10.65)	(5.97)
Net Taxation	47.01	61.66	12.22	3.83	1.18
Profit after Tax	356.39	260.49	264.06	94.06	3.88
Balance brought forward	455.41	294.86	74.69	(0.65)	0.00
Balance available for appropriation	811.80	555.35	338.75	93.41	3.88
Appropriations					
Proposed Final Dividend	98.88	68.15	21.22	6.80	2.40
Corporate Dividend Tax	16.80	11.58	2.97	0.89	0.31
Amount transferred to self insurance reserve	32.90	20.21	19.70	11.03	1.82
BALANCE CARRIED TO BALANCE SHEET	663.22	455.41	294.86	74.69	(0.65)

The accompanying accounting policies and notes on accounts are an integral part of these statements

Annexure - II**STATEMENT OF ASSETS & LIABILITIES , AS RESTATED OF THE SUBSIDIARY COMPANY***(Rs. in crore)*

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Fixed Assets (A)					
a) Gross Block	6,592.25	4,084.87	3971.89	3,328.41	1,715.49
Less: Depreciation	416.79	271.33	164.07	68.61	16.93
Net Block	6,175.46	3,813.54	3,807.82	3,259.80	1,698.56
Capital Work In Progress	19.27	2015.07	1310.61	1021.39	1345.07
Construction Stores and Advances	0.41	5.23	58.11	135.86	184.19
Sub total (A)	6,195.14	5,833.84	5,176.54	4,417.05	3,227.82
INVESTMENTS (B)	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Inventories	2.58	2.17	1.21	0.12	0.00
Sundry Debtors	556.56	602.13	346.87	93.17	0.34
Cash and Bank Balances	504.57	349.39	350.59	661.52	658.83
Other Current Assets	19.81	26.28	27.91	27.97	15.69
Loans and Advances	13.91	18.50	20.48	25.71	9.29
Sub total (C)	1,097.43	998.47	747.06	808.49	684.15
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	2,899.17	2,939.84	2,164.74	1,500.00	780.00
Unsecured loans	0.00	0.00	150.00	624.25	650.00
Current Liabilities & Provisions	504.06	312.47	226.52	254.19	187.38
Sub total (D)	3,403.23	3,252.31	2,541.26	2,378.44	1,617.38
Capital Grant/Proportionate Contribution by Govt of Madhya Pradesh towards fixed assets (E)	1177.88	1109.26	1092.35	826.98	605.80
NET ASSETS (A+B+C-D-E)	2,711.46	2,470.74	2,289.99	2,020.12	1,688.78
Represented by:					
NET WORTH					
Share Capital (F)	1,962.58	1,962.58	1,962.58	1,632.35	1,632.35
Share Capital Deposit (G)	0.00	0.00	0.00	300.23	55.26
Reserve and Surplus (H)	748.88	508.16	327.41	87.54	1.17
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) (I)	0.00	0.00	0.00	0.00	0.00
NET WORTH(F+G+H-I)	2,711.46	2,470.74	2,289.99	2,020.12	1,688.78

The accompanying accounting policies and notes on accounts are an integral part of these statements.

Annexure-III**Cash Flow Statement from the Restated Financial Statements - Subsidiary***(Rupees in crore)*

Particulars	Year ended as at				
	31st March' 2008	31st March'2007	31st March'200 6	31st March'2005	31st March'2004
A) CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit before tax and extraordinary items	403.40	322.15	276.28	97.89	5.06
Depreciation	115.16	77.55	72.52	45.69	4.49
Other Provisions/Adjustments	39.86	0.00	0.00	0.00	2.05
Interest & Financial Charges	184.25	129.77	120.20	70.93	6.91
Operating profit before working capital adjustments	742.67	529.47	469.00	214.51	18.51
Adjustments					
(Increase)/Decrease in Inventories	(0.41)	(0.96)	(1.09)	-	-
(Increase)/Decrease in Sundry Debtors	51.22	(253.74)	(248.81)	(99.44)	(11.05)
Increase/(Decrease) in Trade & Other Payables	142.54	(23.72)	(44.15)	61.83	134.92
Sub Total	193.35	(278.42)	(294.05)	(37.61)	123.87
Cash generated from operations	936.02	251.05	174.95	176.90	142.38
Less: Taxes paid	37.74	58.36	11.88	15.21	4.94
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	898.28	192.69	163.07	161.69	137.44
B) CASH FLOW FROM INVESTING ACTIVITIES					
Fixed assets/Capital work in progress/Construction Stores & Advances	(471.26)	(695.39)	(822.46)	(1,194.15)	(1,109.65)
Sale proceeds on disposal of fixed assets	-	0.01	-	-	-
NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	(471.26)	(695.38)	(822.50)	(1194.15)	(1109.65)
C) CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of Share Capital/Share capital deposit	-	-	30.00	244.97	249.26
Proceeds from Borrowings	100.16	775.10	814.74	1344.25	1280.00
Repayments of Borrowings	(140.83)	(150.00)	(624.25)	(650.00)	(150.00)
Funds/Grant received from GOMP	71.20	98.24	287.28	231.44	112.50
Dividend Paid including dividend tax	(79.73)	(24.20)	(7.69)	(2.71)	-
Interest and Financial Charges Paid	(222.64)	(197.65)	(151.62)	(132.80)	(63.00)
NET CASH FLOW/(USED) FROM FINANCING ACTIVITIES (C)	(271.84)	501.49	348.46	1035.15	1428.76
Net increase/decrease in Cash and Cash equivalents (A+B+C)	155.18	(1.20)	(310.93)	2.69	456.55
Cash and cash equivalents (Opening balance)	349.39	350.59	661.52	658.83	202.28
Cash and cash equivalents (Closing balance)	504.57	349.39	350.59	661.52	658.83

Annexure IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

- 2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalization is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.
- 2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets except those assets, which are created for Rehabilitation/Resettlement. Payment made provisionally towards compensation and other expenses relatable to land are treated as cost of land. However, such payments relatable to land, which is going to be sub-merged, are treated as Rehabilitation & Resettlement expenses to be capitalized as Dam cost
- 2.3 Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.
- 2.4 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation
- 2.5 Construction equipments declared surplus are shown at lower of book value and net realizable value.

3. MACHINERY SPARES

- 3.1 (a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.
- (b) WDV of spares is charged to revenue in the year in which such spares are consumed. Similarly value of such spares, procured & consumed in a particular year is charged to revenue in that year itself.
- (c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value whichever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.
- 3.2 Other spares are treated as “stores & spares” forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

- 4.1 Projects under commissioning and other capital work-in-progress are carried at cost. In respect of Projects under construction, incidental and attributable expenses (net of incidental income) including interest and depreciation on fixed assets in use during construction are carried as part of Incidental Expenditure During Construction to be allocated on major immovable Project Assets other than Land and infrastructural facilities, on commissioning of the Project.

4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to 'Incidental Expenditure During Construction'.

4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project..

5. DEPRECIATION & AMORTISATION

5.1 Depreciation is charged on straight-line method to the extent of 90% of the cost of asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by regulations by the CERC, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by the Company (@ 30%) are adopted.

5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.

5.3 Assets valuing Rs 5,000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5,000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.

5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing up to Rs750/- are not capitalized and charged off to revenue.

5.5 Expenditure on software is recognized as 'Intangible Assets' to be amortized over three years.

5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

5.7 Capital Expenditure referred to in Policy 2.3 is amortized over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

6. INVESTMENTS

Investments are intended for long term and carried at cost.

7. INVENTORIES

7.1 (a) Stores & Spares other than scrap and spares of surplus construction equipments are valued at cost on weighted average basis.

(b) Scrap is valued at net realizable value.

(c) Spares for surplus construction equipments are valued at lower of cost and net realizable value.

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

7.3 Loose tools issued during the year are charged to consumption account where cost of individual item is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.

7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

8. FOREIGN EXCHANGE FLUCTUATION

- 8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.
- 8.2 Exchange differences are recognized as income & expense in the period in which they arise in Profit & Loss Account in case of operational stations and to IEDC in case of projects under construction. However, exchange differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01.04.2004 is adjusted to the carrying cost of respective fixed asset/capital work-in-progress.

9. EMPLOYEE BENEFITS

- 9.1 Provision for Post employment benefit as defined in AS-15 on Employee Benefits is made based on actuarial valuation at the year-end.
- 9.2 Provision for Leave Travel Concession, Leave Encashment and Baggage Allowance admissible on superannuation is made based on actuarial valuation at the year-end.
- 9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. REVENUE

- 10.1 (a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.
- (b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.
- (c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.
- (d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.
- 10.2 In respect of other Project Management/Consultancy Contracts/Cost plus Contracts, revenue is recognized based on the terms of agreement and the quantum of work done under the contract”.
- 10.3 Interest on investments is accounted for on accrual basis.
- 10.4 Interest/Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. ALLOCATION OF CORPORATE OFFICE EXPENSES

Corporate Office Expenses are allocated as under:

- (a) On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- (b) The balance expenditure is allocated to construction projects in the ratio of net capital expenditure incurred during the year.

12. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to 'Self Insurance Reserve' on year to year basis by charge to Profit & Loss Account, to be utilized for losses of Assets for specified contingencies.

13. MISCELLANEOUS

13.1 Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Company.

13.2 Power supplied from Power Stations to Projects under construction is charged as per normal tariff.

13.3 Prepaid expenses and prior period expenses/income of items of Rs.50, 000/- and below are charged to natural heads of accounts.

13.4 Insurance claims are accounted for based on certainty of realisation.

14. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernization are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

15. TAXES ON INCOME

15.1 Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a pass-through to beneficiaries to the extent relatable to Core Activity, i.e., Generation of Electricity.

15.2 Deferred tax recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized for unabsorbed depreciation or carry forward of losses under tax laws and carried forward to the extent there is a reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

16. GRANTS-IN-AID

Amount of contribution received from the Govt. of Madhya Pradesh towards "Irrigation and R&R Component" and Govt. of Gujarat towards "Sardar Sarovar Component", being not relatable to cost of individual assets are treated initially as Capital Reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of such contribution.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2004 TO 31ST MARCH 2008 IMPACT THEREOF ON THE PROFITS

1. During the year ended 31st March 2004,

The Company has modified its accounting policy relating to charge of depreciation with retrospective effect from the year ended 31st March 2002. Depreciation is now being charged at rates notified by regulations by CERC which in the earlier years was being charged at rates notified under the Electricity Supply Act, 1948. *The project was available for commercial use in the financial year 2003-04 and accordingly impact of change on the profits for years prior to 2003-04 is NIL.*

2. During the year ended 31st March 2006,

Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.

3. During the year ended 31st March 2007,

Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)),

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Travelling Concession & Baggage Allowance on retirement) were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the (AS-15(R)) is applicable from financial year 2007-08. No restatement of provision made on account of Long term Benefits in 2006-07 as actuarial valuation was got done in 2006-07 only.

4. During the year ended 31st March 2008

Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956.

B. Notes on Accounts

1. Impact of changes due to restatement of expenses in line with Accounting Policies of holding company and Prior Period items

(Rs. in crore)

S. No.	Particulars	Financial Year ended 31 st March 2008	Financial Year ended 31 st March 2007	Financial Year ended 31 st March 2006	Financial Year ended 31 st March 2005	Financial Year ended 31 st March 2004
	Profit after tax as per audited statement of accounts	329.61	454.31	106.10	33.96	12.37
	Adjustment on account of					
1	Changes due to restatement of accounts in line with accounting policies of holding company					
	Charge off of preliminary Expenses (note no. 1.1 a)	-	1.44	0.21	0.21	-1.85
	Rate of depreciation on Capitalisation of Rehabilitation and Resettlement expenses (note no. 1.1 b)	-13.22	-11.36	-10.52	-7.33	-0.69
	Self Insurance Reserve is created through appropriation by reducing the expenditure (note no. 1.1 c)	32.90	20.21	19.70	11.03	1.82
	Total	19.68	10.29	9.39	3.91	-0.72
2	Material Adjustments					
	Sale of energy (note no. 1.1 d)	-	-205.58	157.56	50.35	-2.32
	Interest from beneficiary of	-14.89	2.95	9.28	3.30	-0.65

	earlier year (note no. 1.1 e)					
	Total	-14.89	-202.63	166.84	53.65	-2.97
3	Income tax relating to earlier years (note no 1.1 f)	-0.02	0.10	-0.10	0.02	-
4	Prior Period Adjustment (note no. 1.1 f)	22.01	-1.58	-18.17	2.52	-4.80
5	Total (Impact of Adjustments)	26.78	-193.82	157.96	60.10	-8.49
6	Adjusted Profit After Tax	356.39	260.49	264.06	94.06	3.88

1.1 Notes on Adjustments carried out

- Preliminary and miscellaneous expenses have been charged to revenue in the year of expense in line with the accounting policy of the holding company.
- Payments relating to Rehabilitation and Resettlement have been treated as land un-classified instead of Dam cost. Depreciation there on has been recalculated at rates as those applied by the holding company.
- In line with the Holding company restated accounts, Self Insurance, which was charged to expenditure, is now routed through appropriation account.
- Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective year and adjustment of amount recoverable against restatement of tax for earlier years.
- Interest from beneficiary pertaining to earlier years received in 2007-08 taken to respective year.
- Income tax relating to earlier years and prior period items in the profit and loss account has been re-allocated to respective years.

The accounts for the years 2003-04 to 2007-08 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above.

1.2 Adjustment not carried out

The financial statement of the Subsidiary Company for the year ended 31st March 2006 states that effect of the Change in the Accounting Policy for treatment of Machinery spares as Insurance spares has not taken in view of the cost of such spares is not known and therefore the impact on profit is not ascertainable.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference if any, in the Restated Summary Statements.

2. Contingent Liabilities

(Rs. in crore)

Particulars	Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005	Financial year ended 31.03.2004
Claims against the Company not acknowledged as debts in respect of :					
Capital Works	134.59	109.64	96.64	105.17	43.36
Land Compensation Cases	-	6.97	82.33	0.64	8.57
Other	14.42	73.56	308.01	420.82	621.79
Total	149.01	190.17	486.98	526.63	673.72

3. Estimated amount of contracts remaining to be executed on capital account and not provided for
(Rs. in crore)

Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005	Financial year ended 31.03.2004
131.71	255.95	647.19	980.01	1426.56

4. Other significant notes on account as on

31st March 2008

- (a) Balances shown under Material issued to contractors, claims recoverable, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/confirmation and respective consequential adjustments.
- (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.
- (c) The depreciation on Fixed Assets is charged as per Significant Accounting Policy No. 5 of the Company. The GOI has notified Tariff Policy, which provides that rates of depreciation as notified by Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. Pending formulation of norms by CERC in accordance with the tariff policy, the rates notified under present tariff norms are considered appropriate for depreciation for the year.
- (d) Electricity generation is the principal business activity of the Company. Hence reporting under Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India is not applicable. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.

Annexure-V**STATEMENT OF DIVIDEND PAID BY THE SUBSIDIARY***(Rs. in crore)*

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Equity Share Capital					
Face Value (Rs)	1,000	1,000	1,000	1,000	1,000
Nos.	1,96,25,800	1,96,25,800	1,96,25,800	1,63,23,529	1,63,23,529
Rate of Dividend (%)					
Final	5.04	3.47	1.08	0.42	0.15
Amount of Dividend					
Final	98.88 *	68.15	21.22	6.80	2.40
Corporate Dividend Tax					
Final	16.80	11.58	2.97	0.89	0.31
* Proposed Dividend					

Annexure - VI
STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT - SUBSIDIARY
(Rs. in crore)

Key Ratio	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Earning Per Share (Rs.)*					
Basic	181.59	132.73	136.55	57.62	3.14
Diluted	181.59	132.73	135.02	54.40	2.68
Return on Net Worth (%)	13.14	10.54	11.53	4.66	0.23
\$					
Net Assets Value per share (Rs.) \$	1,381.58	1,258.92	1,166.83	1,045.29	1,000.69
Weighted Average number of Equity shares used as denominator					
Basic	1,96,25,800	1,96,25,800	1,93,37,615	1,63,23,529	1,23,59,284
Diluted	1,96,25,800	1,96,25,800	1,95,57,581	1,72,91,378	1,44,78,283
Total number of shares outstanding at the end of the year/period@	1,96,25,800	1,96,25,800	1,96,25,800	1,93,25,799	1,68,76,129

\$ Share Capital Deposit has been considered in Net Worth.

*Face Value of Rs. 1,000/-

@ Outstanding number of shares has been adjusted to the extent of equivalent shares of Rs. 1,000/- each for Share Capital Deposit towards equity, for which shares has been issued subsequently.

The ratios have been computed as below:

Earning Per Share (Rs.)	=	$\frac{\text{Net Profit after tax}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$
Return on Net worth %	=	$\frac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve/Capital Grant recd against Fixed Assets}}$
Net Asset Value per share (Rs.)	=	$\frac{\text{Net worth Equity excluding revaluation reserve/Capital Grant recd against Fixed Assets}}{\text{No. of Equity Shares outstanding at the end of the year}}$

Annexure - VII**CAPITALISATION STATEMENT OF THE SUBSIDIARY, AS RESTATED***(Rs. in crore)*

S. No.	Particulars	As on 31st March, 2008
A.	Debt:	
	a) Short-term Debt	275.84
	b) Long-term Debt	2623.33
	Total Debt:	2,899.17
B.	Equity	
	a) Equity Share Capital	1,962.58
	b) Reserve & Surplus	748.88
	Total Equity (Net Worth)	2,711.46
C.	Long-term Debt/Equity	0.97: 1

Annexure- VIII
STATEMENT OF SECURED LOAN -
SUBSIDIARY

(Rs. in crore)

Particulars	Year Ended as at				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
TERM LOANS					
Term Loan from Banks/FIs- Indian Currency (refer Note 1 below)	2,899.17	2,939.84	2,164.74	1,500.00	780.00
Total (Secured Loan)	2,899.17	2,939.84	2,164.74	1,500.00	780.00

Note 1

The terms and conditions of the term loans from Banks and FIs, outstanding as at March 31, 2008 including interest rates, principal terms of Security and repayment terms are as under:

Name of the Lender	March 31, 2008	Security Mortgaged	Interest Rate	Repayment terms
Oriental Bank of Commerce*1	183.33	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
J & K Bank*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Andhra Bank*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Canara Bank*1	137.50	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Bank of India*1	320.83	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Dena Bank*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
United Bank of India*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Punjab & Sindh Bank*1	45.83	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
SIDBI*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Union Bank of India*1	91.67	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Punjab National Bank*1	252.08	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Indian Overseas Bank*1	45.83	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007
Bank of Baroda*1	13.75	*1	7.67%	Repayable in 12 annual equal installments commencing from 31.12.2007

Union Bank of India*1	300.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Indian Overseas Bank*1	50.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Corporation Bank*1	100.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Canara Bank*1	104.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Central Bank of India*1	138.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Punjab National Bank*1	173.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
SIDBI*1	35.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
United Bank of India*1	75.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Syndicate Bank*1	75.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Oriental Bank of Commerce*1	150.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Allahabad Bank*1	150.00	*1	7.00%	Repayable in 10 annual equal installments commencing from 31.03.2009
Total	2,899.17			

* 1 Secured by first pari passu charge in the favour of lenders over all the assets, both present and future, of Indira Sagar power station/Omkareshwar project for the respective portion of long term loan.

Annexure-IX**STATEMENT OF UNSECURED LOANS - SUBSIDIARY***(Rs. in crore)*

Particulars	<i>Year Ended as at</i>				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Unsecured Loans					
From Public Sector Banks	NIL	NIL	150.00	624.25	650.00
Total (Unsecured Loan)			150.00	624.25	650.00

Name of the Lender	March 31, 2008	Repayment terms
NIL	NIL	

Annexure-X**STATEMENT OF INVESTMENT - SUBSIDIARY***(Rs. in crore)*

Particulars	<i>Year Ended as at</i>				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Investment	NIL	NIL	NIL	NIL	NIL

Annexure – XI

STATEMENT OF SUNDRY DEBTORS – SUBSIDIARY

(Rs. in crore)

S. No.	Particulars	<i>Year Ended as at</i>				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
	Debts Unsecured					
i)	Debts outstanding for a period exceeding six months					
	- Considered good	461.23	13.75	231.45	47.07	0.34
ii)	Other debts					
	- Considered good	95.33	588.38	115.42	46.10	-
	TOTAL	556.56	602.13	346.87	93.17	0.34

Annexure-XII**STATEMENT OF LOANS AND ADVANCES - SUBSIDIARY***(Rs. in crore)*

	Particulars	Year Ended as at				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
A	Loans					
	Secured considered good	5.37	3.66	4.47	2.91	3.54
	Unsecured considered good	0.83	1.55	0.76	1.71	0.75
B	Advance Recoverable in Cash or kind or Value to be received					
	Secured considered good	0.18	-	-	-	-
	Unsecured considered good	0.26	0.63	0.41	5.97	1.24
C	Deposits					
	Advance income tax (Net of Provision)	7.27	12.66	14.84	15.12	3.76
	TOTAL (A+B-C)	13.91	18.50	20.48	25.71	9.29

Annexure-XIII
STATEMENT OF OTHER INCOME - SUBSIDIARY

(Rs. in crore)

Particulars	For the year ended at				
	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Other Income	72.08	21.09	16.46	6.00	0.11
Net Profit before tax, as restated	403.40	322.15	276.28	97.89	5.06
<u>Percentage</u>	17.87	6.55	5.96	6.13	2.15

STATEMENT OF OTHER INCOME (Subsidiary)

(Rs. in crore)

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04	Nature of Income
Interest on loans and advances/Deposit	27.14	17.46	6.57	2.07	0.07	Recurring
Other Miscellaneous Income	0.73	0.67	0.62	0.62	0.04	Recurring
Interest From Beneficiary & Surcharge	44.21	2.96	9.27	3.31	-	Recurring
TOTAL	72.08	21.09	16.46	6.00	0.11	

Annexure XIV
STATEMENT OF TAX SHELTER- THE SUBSIDIARY

(Rs. in crore)

	PARTICULARS	For the year ended at				
		Mar 31,2008	Mar 31,2007	Mar 31,2006	Mar 31,2005	Mar 31,2004
	Rate of Tax	33.99%	33.66%	33.66%	36.59%	35.88%
A	PROFIT BEFORE TAX AS RESTATED (A)	403.40	322.15	276.28	97.89	5.06
	NOTIONAL TAX ON BOOK PROFIT	137.12	108.44	93.00	35.82	1.82
B	ADJUSTMENTS					
	PERMANENT DIFFERENCES					
	Others	0.00	1.92	7.35	0.00	0.00
	TOTAL PERMANENT DIFFERENCE (B)	0.00	1.92	7.35	0.00	0.00
C	TIMING DIFFERENCE					
	Diff. Between book depreciation and Tax depreciation	(457.18)	(235.91)	(273.73)	(369.85)	(150.78)
	Tax, duty and other sum u/s43B	0.83	0.43	0.06	0.12	0.01
	Others	0.00	0.00	0.00	(0.01)	0.00
	Adjustment for brought forward losses/unabsorbed depreciation (utilized)/created	52.95	(88.59)	(9.96)	271.85	145.71
	TOTAL TIMING DIFFERENCES (C)	(403.40)	(324.07)	(283.63)	(97.89)	(5.06)
D	NET DIFFERENCES (B) + (C)	(403.40)	(322.15)	(276.28)	(97.89)	(5.06)
	TAX SAVINGS THEREON	137.12	108.44	93.00	35.82	1.82
E	TAXABLE INCOME AS PER IT RETURN (A)+(D)	0.00	0.00	0.00	0.00	0.00
F	TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)					
	Tax rate u/s 115JB	11.33%	11.22%	8.42%	7.84%	7.69%
	Tax u/s115JB	46.32	60.11	11.56	3.85	1.18
	TOTAL TAX AS PER RETURN	46.32	60.11	11.56	3.85	1.18
G	CARRIED FORWARD LOSSES/UNABSORBED DEPRECIATION AT THE YEAR END	371.96	319.01	407.60	417.56	145.71

Note 1: In line with Power tariff agreements with State Electricity Boards, tax liability on generation income is pass through to beneficiaries.

Note 2: The figures for the year ended at March 31, 2008 are based on the provisional computation of total income.

Annexure - XV
RELATED PARTY TRANSACTIONS

Statement of Related Party Transactions

a) Key Management Personnel

In compliance of Accounting Standard –18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:

As on 31st March 2008.

Directors

Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director.
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As on 31st March 2007.

Directors

Shri T. Mandal	Whole time Director & designated Chief Executive Director (from 19.09.2006 to 28.02.2007).
Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director (w. e. f. 28.02.2007).

As on 31st March 2006

Directors:

Shri. S. K. Garg	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Uday Kumar Verma	Director
Shri S K Dodeja	Chief Executive Director
Shri R K Taneja	Director
Shri I C Jain	Director
Shri Rajesh Dongre	Director

As on 31st March 2005

Directors:

Shri A K Gangopadhyay	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Ranvir Singh	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri J K Tiwari	Director
Shri Rajesh Dongre	Director

As on 31st March 2004

Directors:

Shri Yogendra Prasad	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Pradeep Bhargava	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri Rajesh Dongre	Director

b) Remuneration paid/payable to Key Management Personnel*(Rupees in crore)*

		For Year ended 31/03/08	For Year ended 31/03/07	For Year ended 31/03/06	For Year ended 31/03/05	For Year ended 31/03/04
(i)	Salaries & Allowances	0.09	0.03	0.06	0.07	0.05
(ii)	Contribution to Provident Fund	0.01	0.00	0.01	0.01	0.01
(iii)	Rent for residential accommodation	0.01	0.01	0.00	0.00	0.00
(iii)	Other benefits	0.01	0.01	0.00	0.00	0.02

The transaction with the related parties, for which disclosures are required to be made in terms of AS 18, has been disclosed above.

FINANCIAL INDEBTEDNESS

A. Foreign Currency Borrowings of our Company:

Set forth below is a brief summary of our significant outstanding foreign currency borrowings as of July 31, 2008, together with a brief description of certain significant terms, if any, of such financing arrangements. All our foreign currency borrowings have been sanctioned to us in foreign currencies, however the same have been accounted for in Indian Rupees. Except our foreign currency borrowing of US\$ 5 crore equivalent to JPY 534.7 crore from a consortium, as detailed below, all our foreign currency loans are guaranteed by the President of India.

(Rs. in crore)

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount** Outstanding	Interest Rate (%) p.a.	Repayment Terms
1.	Japan Bank for International Cooperation	Term loan of Japanese Yen 1,389 crore vide a loan agreement dated March 31, 2004 for implementation of the Dhauliganga hydroelectric project	468.58	1.30	Repayment in 41 half yearly instalments from March 20, 2014
2.	Through a consortium of: Barclays Bank PLC ^{1, 2,3} (Agent); Emirates Bank International Dubai; Standard Chartered Bank Singapore; State Bank of India, Osaka Branch; Banca Monte dei Paschi di Siena, Hong Kong; Chiao Tung Bank, Taiwan; Natexis Banques Populaires, Singapore; National Bank of Kuwait, Singapore; and Persia International Bank Plc.	Term loan of Japanese Yen 534.70 crore vide a facility agreement dated December 10, 2003 for the construction of the Dulhasti project	212.28	1.19 over the six month JPY LIBOR	Bullet repayment on January 9, 2014.
3.	Through a consortium of: Deutsche Bank AG, Tokyo ⁴ ; HSBC Limited, Tokyo;	Term loan of Japanese Yen 1,824 crore vide a loan agreement dated October 18, 2002 for the implementation of the Teesta V project	712.01	0.57 over JPY six month LIBOR	Repayment in 20 half yearly instalments from April 18, 2009

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount** Outstanding	Interest Rate (%) p.a.	Repayment Terms
	ING Bank NV, Tokyo; Societe Generale, Tokyo; Standard Chartered Bank, Tokyo; and State Bank of India, Tokyo.				
4.	Export Development Corporation, Canada ⁵	Term loan up to CAD 17.50 crore vide a loan agreement dated November 4, 1999 for the construction of the Chamera II power station	429.02	6.01	Repayment in 24 half yearly instalments from September 15, 2004
5.	Japan Bank of International Cooperation*	Term loan of Japanese Yen 1,631.6 crore vide a loan agreement dated December 12, 1997 for the construction of the Dhauliganga II hydroelectric project	615.96	2.30	Repayment in 41 half yearly instalments from December 20, 2007
6.	Japan Bank of International Cooperation*	Term loan of Japanese Yen 566.5 crore vide a loan agreement dated January 25, 1996 for implementation of the Dhauliganga hydroelectric project	168.50	2.30	Repayment in 41 half yearly instalments from January 20, 2006
7.	Nordic Investment Bank	Term loan of SEK 42 crore vide an agreement dated October 31, 1989 for the implementation of the Uri hydroelectric project	53.86	0.15 over the US\$ six month LIBOR	Repayment in 23 half yearly instalments from January 24, 2000
8.	Through a consortium of : Credit Commercial DE France; and Nataxis Banques Populaires, Paris.	Term loan of Euro 21.43 crore vide a loan agreement dated September 8, 1989 for the construction of the Dulhasti project	225.89	8.96	Repayment in 17 half yearly instalments from June 30, 2002

*The loan was taken from Overseas Economic Cooperation Fund, Japan. The name of the bank was subsequently changed to Japan Bank for International Cooperation.

** The outstanding amounts have been calculated in Indian Rupees based on the exchange rates of the respective foreign currencies as on July 31, 2008. For details on exchange rates, see “**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation**” on page ix.

¹ Our Company will not be entitled to draw from the facility if the GoI ceases to hold 75% of paid-up share capital of our Company, until new terms are negotiated. If the GoI ceases to control our Company, it would be considered an event of default.

² Subject to the term of the facility agreement, the lender shall have a right to require repayment in full of the loan by serving notice to the Company anytime during a period of five years from the date of drawdown.

³ Each lender shall have the option to require repayment in full (and not in part) of the loan and shall be exercisable by any lender (through the agent) serving notice on the borrower to that effect at any time in the put option exercise period beginning on the signing date and ending ninety days before the put option date.

The borrower may prepay the whole or any part of the loan (but if in part, being an amount that reduces the loan by a minimum amount of JPY 100 crore or if higher, an integral multiple thereof on the last day of an interest period. It may also be prepaid after the last day of the availability period (or if earlier, the day on which the available facility is zero).

⁴ If the GoI ceases to maintain its shareholdings in or ownership or control (direct or indirect) in the Company without the prior written consent of the lender the same would be considered as an event of default.

⁵ No advance shall be made by the Export Development Corporation in respect of goods supplied to our Company from a country other than Canada or in respect of any non-Canadian services without the Export Development Corporation's prior consent.

B. Bonds Issued by our Company:

Set forth below is a brief summary of our outstanding bonds as on July 31, 2008 together with a brief description of certain significant terms of such financing arrangements.

The Company has also issued Secured Non-Convertible Taxable Bonds ("O Series") of a face value of Rs. 10 crore each, aggregating Rs. 570 crore, by an information memorandum dated March 27, 2003, which were subsequently listed on the NSE. The terms of the O Series are as follows:

S. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate (p.a.)	Security	Redemption
1.	Axis Bank Limited ¹	Secured Redeemable Non-convertible Taxable Bonds of the face value of Rs. 10,00,00,000	7.70	A first <i>pari passu</i> mortgage over property situated at unit no 204-Keshava, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 A first <i>pari passu</i> mortgage and charge over all the immovable properties and movable plant and machinery of the Uri hydroelectric project	The secured non-convertible taxable Bonds are issued in 10 separately transferable redeemable principal parts each having a face value 1/10 th of original face value of Rs. 10,00,00,000 with yearly redemption date starting from March 31, 2009 until March 31, 2018

¹Formerly, UTI Bank Limited. The beneficial owners of the bonds/trustees shall have a right to appoint and remove nominee(s) on the Board, at any time during the currency of the Secured Non-Convertible Taxable Bonds.

C. Secured Medium Term Loans availed by our Company:

Set forth below is a brief summary of our significant outstanding secured medium term borrowings of Rs. 1,498.34 crore as of July 31, 2008 together with a brief description of certain significant terms, if any, of such financing arrangements.

(Rs. in crore)

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (%) (p.a.)	Repayment Terms	Security
1.	Indian Bank**	Term loan of Rs. 100 crore vide a term loan agreement dated October 4, 2006	100	8.44	Repayable in three yearly instalments from February 27, 2012	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) Chamera-I power station

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (%) (p.a.)	Repayment Terms	Security
2.	State Bank of Patiala	Term loan of Rs. 40 crore vide a term loan agreement dated January 9, 2002 and amended vide an agreement dated July 3, 2006	34	8.322	Repayable in 20 half yearly instalments of Rs. 2 crore each from July 9, 2007	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) of the Chamera-I power station
3.	Oriental Bank of Commerce	Term loan of Rs. 100 crore vide a term loan agreement dated August 25, 2005	100	6.86	Repayable in 10 yearly instalments of Rs.10 crore each from December 27, 2011	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) of the Uri power station
4.	Syndicate Bank	Term loan of Rs. 183 crore vide a composite hypothecation agreement dated February 23, 2005	164.7	7.207	Repayable in 10 yearly instalments of Rs. 18.30 crore from February 23, 2008	Charge on fixed assets (except book debts and stores) of the Uri power station
5.	Oriental Bank of Commerce	Term loan of Rs. 200 crore vide a term loan agreement dated February 23, 2005	180	7.207	Repayable in 10 yearly instalments of Rs. 20 crore each from March 31, 2008	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) of the Uri power station
6.	Canara Bank	Term loan of Rs. 200 crore vide a term loan agreement dated November 10, 2004	180	6.86	Repayable in ten yearly instalments of Rs. 20 crore from November 9, 2007	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) on the Uri power station
7.	Canara Bank	Term loan of Rs. 85 crore vide a term loan agreement dated March 25, 2004	85	6.75	Repayable in five yearly instalments of Rs.17 crore each from January 30, 2009	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) of the Chamera-I power station
8.	Canara Bank	Term loan of Rs. 50 crore vide a term loan agreement dated June 27, 2002	40	10.50	Repayable in four yearly instalments of Rs.12.50 crore from June 28, 2009	Exclusive charge on all the fixed and moveable assets (except book debts and stores) of the Loktak power station

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (%) (p.a.)	Repayment Terms	Security
9.	Indian Overseas Bank ²	Term loan of Rs. 50 crore vide a term loan agreement dated December 5, 2001	50	10.50	Repayable in four yearly instalments of Rs. 12.50 crore each from December 6, 2008	<i>Pari passu</i> charge on the fixed assets (except book debts and stores) of Chamera-I power station
10.	Housing Development Finance Corporation Limited ¹	Term loan of Rs. 100 crore vide a term loan agreement dated February 21, 2001	78.57	11	Repayable in 14 half yearly instalments of Rs. 7.14 crore each from February 13, 2007	<i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
11.	Punjab & Sind Bank ¹	Term loan of Rs. 100 crore vide a term loan agreement dated July 25, 2000	80.00	11	Repayable in 40 quarterly instalments of Rs.2.50 crore each from October 24, 2006	<i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
12.	State Bank of India ¹	Term loan of Rs. 150 crore vide a term loan agreement dated July 25, 2000	107.14	11	Repayable in 14 half yearly instalments of Rs. 10.71 crore each from September 18, 2006	First <i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
13.	State Bank of Patiala ¹	Term loan of Rs. 50 crore vide a term loan agreement dated July 25, 2000	35.72	11.50	Repayable in 14 half yearly instalments of Rs. 3.57 crore each with effect from January 30, 2007	First <i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
14.	Bank of India ¹	Term loan of Rs. 100 crore vide a term loan agreement dated July 25, 2000	82.50	11	Repayable in 40 quarterly instalments of Rs. 2.50 crore each from December 24, 2006	First <i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
15.	State Bank of Hyderabad ¹	Term loan of Rs. 50 crore vide a term loan agreement dated July 25, 2000	35.71	10	Repayable in 14 half yearly instalments of Rs. 3.57 crore each beginning January 7, 2007	First <i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
16.	Punjab National Bank	Term loan of Rs. 150 crore vide a term loan agreement dated June 12, 2000	90	10.25	Repayable in 20 half yearly instalments of Rs. 7.50 crore each from October 26, 2004	<i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (%) (p.a.)	Repayment Terms	Security
17.	Central Bank of India	Term loan of Rs. 100 crore, vide a term loan agreement dated June 12, 2000	55	10	Repayable in 20 half yearly instalments of Rs. 5 crore each from May 2, 2004	First <i>Pari passu</i> charge over all the fixed assets (except book debts and stores) of the Chamera-II power station

^{**} The loan was converted into a secured loan vide an agreement dated October 4, 2006.

¹ If the GoI ceases to hold less than 51% of the paid-up share capital of our Company, the same would be considered as an event of default.

² In the event our Company does not seek the prior written consent of the lender prior to making any change or in any way altering its capital structure, the same would be considered an event of default. The Indian Overseas Bank vide letter dated June 19, 2008 given its written consent for the change in capital structure of our Company for this Issue.

D. Secured Long Term Loans availed by our Company:

Set forth below is a brief summary of our outstanding secured long term borrowings of Rs. 5,668 crore as of July 31, 2008 together with a brief description of certain significant terms, if any, of such financing arrangements.

(Rs. in crore)

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (p.a.)	Repayment Terms	Security
1.	PFC ¹	Loan of Rs. 186 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the Teesta V project	150	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly.	Repayment on 40 equal quarterly instalments beginning on October 15, 2008	First charge on <i>pari passu</i> basis by way of hypothecation of the movable assets of the Dulhasti power station.
2.	PFC ¹	Loan of Rs. 750 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the ongoing Teesta Low Dam Stage IV hydroelectric project	102	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly.	Repayment on 40 equal quarterly instalments beginning on October 15, 2011	First charge on <i>pari passu</i> basis by way of hypothecation of the movable assets of the Dulhasti power station.
3.	PFC ¹	Loan of Rs. 70 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the Chutak hydroelectric project	70	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly.	Repayment on 40 equal quarterly instalments beginning on October 15, 2011	First charge on <i>pari passu</i> basis by way of hypothecation of the movable assets of the Dulhasti power station.

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (p.a.)	Repayment Terms	Security
4.	PFC ¹	Loan of Rs. 500 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the ongoing Teesta Low Dam Project Stage III hydroelectric project	325	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly.	Repayment in 40 equal quarterly instalments beginning on April 15, 2009	To be created by way of first <i>pari passu</i> charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – Stage I
5.	PFC ¹	Loan of Rs. 413 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the ongoing Sewa II hydroelectric project	310	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly.	Repayment in 40 equal quarterly instalments beginning on July 15, 2009	To be created by way of first <i>pari passu</i> charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – I
6.	PFC ¹	Loan of Rs. 2,087 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the Parbati Stage II hydroelectric project	315	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly.	Repayment in 40 equal quarterly instalments beginning on April 15, 2010	To be created by way of first <i>pari passu</i> charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – Stage II and Uri I power station.
7.	LIC ^{3 (a)(b) 2 (b)(c)}	Non-renewable line of credit of Rs. 6,500 crore vide a line of credit agreement	Rs. 1,896	8.00% on the first tranche Rs. 11 crore repayable	Repayable in 24 half yearly instalments from April	Hypothecation of the moveable assets of the Company's

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (p.a.)	Repayment Terms	Security
		dated February 17, 2005, for meeting fund requirement of constructions duly approved by the GoI, future joint venture projects, paying of high cost debt, for survey and investigation projects and for any other purpose.		8.43% on the second tranche of Rs. 85 crore repayable	30, 2012	Subansiri Lower hydroelectric project, the Teesta III Low Dam hydroelectric project and Teesta V power station and a mortgage on the fixed assets of the Teesta III Low Dam hydroelectric project and Teesta V power station
				8.65% on the third tranche of Rs. 50 crore repayable		
				9.53% on the fourth tranche of Rs. 35 crore repayable		
				9.11% on the fifth tranche of Rs. 115 crore repayable.		
				9.15% on the sixth tranche of Rs. 50 crore repayable.		
				9.11% on the seventh tranche of Rs. 467 crore repayable.		
				8.88% on the eight tranche of Rs. 483 crore repayable.		
				8.78% on the ninth tranche of Rs. 200 crore repayable.		
				9.78% on the tenth tranche of Rs. 400 crore repayable.		
8	LIC ² (a)(b)(c)	Non-renewable line of credit of Rs. 2,500 crore vide a line of credit agreement	Rs. 2,500	9.25% on the first tranche of Rs. 100 crore repayable	Repayable in 24 half yearly instalments from April	First mortgage and charge on all the moveable and immovable

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding	Interest Rate (p.a.)	Repayment Terms	Security
		dated February 14, 2003 for meeting part of capital expenditure of hydro electric projects being and/or to be implemented by our Company all over India during the period of the facility.		8% being payable on the remaining Rs. 2,400 crore repayable	15, 2009	assets, both present and future, of the Company's Parbati II hydroelectric project and the Dhauliganga power station

¹ Our Company has undertaken to maintain an asset value of at least 1.1 times the loan amount. Also, our Company shall not transfer or abandon the project at any stage without the written consent of PFC.

^{2 (a)} Our Company undertakes to maintain:

- a ratio of debt to net worth, which does not exceed 2:1
- an interest coverage ratio of more than 1.5 times

Further, our Company undertakes to maintain security coverage ratio of 1.25 times of the outstanding principal at all times during the currency of the facility. In the event of default, the lender shall be entitled to the right to review the management setup or organisation of our Company and to require our Company to restructure it as it may consider necessary, including the formation of management committees, with such powers and functions as maybe considered suitable. The lender shall also be authorised to appoint its representatives on various committees. In the event of default, our Company further undertakes not to, without the prior written permission of the lender, amend its Memorandum or Articles of Association.

^(b) Our Company shall not without prior intimation to the lender, undertake any new project, diversification, modernisation or expansion of its existing projects. Our Company shall not create any subsidiaries or permit any company to become its subsidiary except with the prior intimation the lender. In the event, the Government's equity in our Company falls below 51%, the same shall be considered an event of default.

^(c) A fall in credit rating below AA+ and deterioration in financial strength measured by mutually agreed financial ratios, would be considered an event of default.

^{3 (a)} Our Company has undertaken to maintain the following financial covenants:

- a ratio of debt to net worth does not exceed 2:1 at any point of time
- an interest coverage ratio of more than two times.

Further, Our Company has also undertaken to maintain a security coverage ratio of 1.33 times of the outstanding principal at all times during the currency of the facility.

A fall in credit rating below A and deterioration in financial strength measured by mutually agreed financial ratios, would be considered an event of default.

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 financial statements included in this Draft Red Herring Prospectus. You should also see “Risk Factors” on page xii, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company and our Subsidiary, and, unless otherwise stated, is based on our Restated Consolidated Financial Statements, which have been prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Guidelines. The following discussion is also based on internally prepared statistical information and other sources. Our fiscal year ends on March 31 of each year, so all references to a particular “Fiscal” are to the twelve-month period ended March 31 of that year.

OVERVIEW

We are a hydroelectric power generating company dedicated to the planning, development and implementation of an integrated and efficient network of hydroelectric projects in India. We execute all aspects of the development of hydroelectric projects, from concept to commissioning.

We have developed and constructed 13 hydroelectric power stations and our total installed capacity is currently 5,175 MW. This includes the two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company generated 14,813.16 MUs of electricity in Fiscal 2008.

Presently we are engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. Further eight projects, including one joint venture project, with an anticipated capacity of 5,751 MW, are currently awaiting sanction from the CCEA. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with State governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, our Subsidiary was incorporated on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada basin. In addition, in September 2007 we signed an MoU in connection with the establishment of a joint venture with the government of Manipur and in June 2007 we entered into an MoU with the government of Arunachal Pradesh. Further, we are in the process of negotiating an MoU with the government of Jammu & Kashmir to develop and undertake a number of hydroelectric projects in that state. For further information, see “*History and Certain Corporate Matters*” on page 113. We also provide contract-based technical, management advisory and consultancy services in the domestic and international markets.

We have significant experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design, through to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis.

Based on our Restated Consolidated Financial Statements, in Fiscals 2006, 2007 and 2008 we generated total income of Rs. 2,371.11 crore, Rs. 2,682.67 crore and Rs. 3,675.61 crore, and net profit of Rs. 879.29 crore, Rs. 1,068.07 crore and Rs. 1,232.31 crore, respectively. In Fiscal 2008, our average selling price of electricity was Rs. 1.80 per unit. In Fiscal 2008, we derived Rs. 2,958.20 crore or 99.75% of our restated consolidated revenues from sale of energy to SEBs and

their successor entities, pursuant to long-term power purchase agreements. This constituted 80.48% of our total income.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for Fiscals 2006, 2007 and 2008 were 98.16%, 94.11% and 96.13%, respectively. These indices are higher than the average capacity index levels required under CERC regulations and our higher efficiency parameters entitle us to certain incentive payments.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff policy of the GoI

Tariffs for each of our hydropower stations are determined by the CERC and are subject to change during the term of the relevant PPA, depending on changes in the tariff regulations. Under the current tariff regulations, tariffs are determined based on an ABT model. The ABT model is aimed at bringing about more responsibility and accountability in power generation and consumption through a scheme of incentives and disincentives. The tariff is determined by reference to annual fixed charges (“AFC”) which comprises primary energy charges and capacity charges and is determined by return on equity, depreciation inclusive of advance against depreciation, interest on loan, interest on working capital and operation and maintenance expenses. Our recovery of the capacity charge is dependent on the availability of the power station. Availability is determined by reference to the daily Capacity Index, which is the declared capacity expressed as a percentage of the maximum available capacity for the day. Apart from AFC, we are also entitled to incentives for maintaining our stations at a capacity index higher than the normative level prescribed by the CERC. In addition, unscheduled interchange charges can be levied from us or paid to us under the present tariff structure. The unscheduled interchange component is a payment (or penalty) designed to create incentives for maintaining grid discipline. From April 1, 2004, our tariffs have been based on the CERC’s tariff regulations for 2004 to 2009.

For a discussion of the components of these tariff regulations and their effect on our results of operations, see “– Revenues – Tariffs” below.

Growth of the power sector and competition within the power sector

Our financial results are significantly affected by general economic conditions prevailing in India and in particular by developments in the power sector. In accordance with the revised estimates of the Central Statistical Organisation of India, India’s GDP growth was 8.4% in Fiscal 2006 and 9.6% in Fiscal 2007 and 8.7% in Fiscal 2008. Power is a critical sector for the economic growth of a country.

The GoI adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased targets for additional capacity. The Tenth Plan for Fiscal years 2002 to 2007 targeted a capacity increase of 41,110 MW. Against this target, a capacity increase of 21,180 MW was achieved during the Tenth Plan. The Eleventh Plan targets the addition of 78,700.4 MW, of which 9,263 MW have already been commissioned as of March 31, 2008. The share of hydropower units commissioned is 26.15%. According to the CEA Monthly Review of the power sector, as of May 31, 2008, India had an installed generation capacity of approximately 144,565.1 MW and hydroelectric power stations accounted for approximately 24.93% of that capacity.

Hydrological and environmental conditions

For a hydroelectric power project, the energy generated by the station is dependent on the availability of water flows. This is unlike thermal power plants where actual energy generated is directly proportional to the installed capacity and is subject only to the machine availability and load demand.

The planning of hydroelectric projects in hydrology terms is based on the assumption that the past history of water availability will be repeated in the future. The design energy for hydropower stations is therefore a derived figure that is based on hydrological studies carried out on historical discharge data. Design energy is taken as the energy that can be generated by utilizing the quantum of water available in a 90% dependable year, that is, water flow which is 90% probable. A power station is designed on the basis of water availability in a 90% dependable year to ensure sufficiency of water availability estimates taken for the design of the project. As this dependability is determined on a long term basis, there may be some years or several years in succession, wherein the planned generation may not be fully realized, while on the other hand there could be some years or several years in succession, where the planned generation estimates are surpassed.

In storage-type hydroelectric projects, sediment carried downstream by a river can be blocked when a dam is constructed. This sediment may build up behind the dam wall and affect the capacity of the reservoir. Over 80% of the total annual “silt load”, as it is called, is carried by the rivers in the monsoon season. By devising an efficient reservoir management system, most of the annual silt load can be safely passed downstream. This generally requires us to keep the reservoir at a lower operating level during this period. Thus some generation loss is expected, even though the monsoon period generally means that there is high water availability.

As our hydroelectric projects are located in mountainous regions, geological factors influence the construction and operation of our projects. Our projects are affected by uncertain geological conditions encountered in underground works, slope and reservoir rim stability. Damage can also occur to projects during periods of seismic activity.

Transmission constraints

Transmission lines that carry the electricity that we generate are owned and controlled by separate entities. Due to circumstances beyond our control these transmission lines may not be available to carry the power that we generate. In these situations actual generation does not take place despite the fact that generation capacity is available. The loss of generation due to such condition is considered to be “deemed generation” in accordance with the CERC tariff policy and the applicable revenue is still paid to us. Our overall sales revenue is not adversely affected by such transmission constraints.

Tax benefits

Minimum alternate tax

We have taken advantage of benefits in respect of carry forward losses since Fiscal 1981 and have paid minimum alternative tax ("**MAT**") under Indian taxation laws for the last seven Fiscal years. MAT involves the payment of tax on a company's book profits in the event that the tax payable in accordance with the tax law is less than a certain limit. A depreciation tax shield would be available in respect of fixed assets acquired by our Company in the future in accordance with applicable tax rates prevailing at that time.

Fringe benefit tax

Fringe benefit tax ("**FBT**") is an additional tax levied under Section 4 of the Income Tax Act, 1961 which contains provisions for the levy of additional income tax. FBT is governed by Chapter XII-H (Section 115W to 115WL) of the Income Tax Act, 1961. FBT, being an additional income tax, is a pass through in the current tariff structure.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are important to both the portrayal of our financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how our management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

Basis for Preparation of Summary Restated Consolidated Financial Statements: The consolidated financial statements include accounts of the Company and our Subsidiary, NHDC. Our Company has a direct interest of more than one half of the voting power of the Subsidiary and has power to exercise control over its operation. The Subsidiary's accounts consolidated from the date on which effective control was transferred to us. All inter-company transactions, balances and unrealized surpluses and deficits on transactions between us and the Subsidiary are eliminated. Consistency in adoption of accounting policy is ensured to the extent practicable.

Investment in the Subsidiary has been accounted for in accordance with Accounting Standard 21 relating to consolidated financial statements. The consolidated financial statements have been prepared in accordance with historical cost convention, the accounting standards issued by ICAI and the relevant provisions of the Companies Act.

Accounting Conventions: Our accounts are prepared under the historical cost convention using the accrual method of accounting.

Fixed Assets: Fixed assets are stated at cost of acquisition or construction, as the case may be. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is carried out on an estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.

Fixed Assets created on land that does not belonging to us, but which we have the right to use, are included under fixed assets.

Capital Expenditure on assets where neither the land nor the asset is owned by our Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.

Payments made provisionally towards compensation and other expenses relating to land are treated as cost of land. Land in respect of which a State government has given us the right to use without transfer of title and expenses for (i) relief and rehabilitation or (ii) the creation of alternate facilities for project-affected people, where the construction of such alternate facilities is a specific precondition for the acquisition of the land for the purpose of the project, is accounted for as land unclassified and such land unclassified is to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project. Assets procured or created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with our Company.

Construction equipment considered to be surplus is shown at the lower of book value and net realisable value.

Capital Work-in-Progress: Projects under commissioning and other capital work-in-progress are carried at cost. In respect of projects under construction, incidental and attributable expenses, including interest and depreciation on fixed assets in use during construction, are carried as part of incidental expenditure during construction to be allocated on major immovable project assets, other than land and infrastructural facilities, upon commissioning of the project. Expenditure on maintenance and upgrading of common public facilities in projects under construction is charged to incidental expenditure during construction.

Expenditure in relation to survey and investigation of the projects is carried as capital work-in-progress. Such expenditure is either capitalized as a cost of the project upon completion of the construction of the project or expensed in the year in which it is decided to abandon such project.

Self Insurance: 0.5% p.a. of the gross block of our hydropower stations as on the balance sheet date is transferred to our self insurance reserve on a year to year basis by a charge to our profit and loss account. The amount of such transfer is to be utilized for losses of assets for specified contingencies.

Machinery Spares: Machinery spares procured along with plant and machinery procured subsequently and whose use is expected to be irregular are capitalized separately if the cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with the mother plant, these are capitalized and depreciated along with the mother plant.

Written down value of spares is charged to revenue in the year in which such spares are consumed. Similarly, the value of such spares procured and consumed in a particular year is also charged to revenue in that year itself.

When the useful life of the related fixed asset expires and the asset is retired from active use, such spares are valued at net book value or net realizable value, whichever is lower. However, in case retired assets are not replaced, written down value of related spares less disposable value is written off.

Other spares are treated as “stores and spares” forming part of the inventory and expensed when issued.

Inventories: Stores and spares other than scrap and spares of surplus construction equipments are valued at cost on a weighted average basis. Scrap is valued at net realizable value. Spares for surplus construction equipments are valued at lower of cost and net realizable value.

Losses from unserviceable and obsolete stores and spares identified on review are provided in the accounts. Stores issued for operation and maintenance at power stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

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

Corporate Office Expenses: Corporate office expenses are allocated as follows: (i) on power stations at 1% of the sale amount of energy for the year excluding taxes and duties, (ii) in case of construction contract works awarded to and executed by us at 5% of the project expenditure incurred during the year, except in case of contracts for rural electrification and roads, where allocation of expenditure in respect of dedicated division is made on the basis of services rendered, and (iii) the balance is allocated to construction projects in the ratio of net capital expenditure incurred during the year.

Foreign Currency Transactions: Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate prevailing on such balance sheet date.

Exchange differences in respect of liabilities relating to fixed assets and capital work-in-progress arising out of transactions entered into prior to April 1, 2004 are adjusted to the carrying cost of the respective fixed asset/capital work-in-progress.

Other exchange differences are recognised as income and expenses in the period in which they arise in the profit and loss account in case of operational stations and to “Incidental Expenditure During Construction” in case of projects under construction.

Employee Benefits: Provision for leave travel, leave encashment and baggage allowance admissible on superannuation is made based on actuarial valuation at the year end. Provision for retirement benefits as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year end. Expenses on *ex-gratia* payments and notice pay under voluntary retirement scheme are charged to revenue in the year the expense is incurred.

Borrowing Costs: Borrowing costs attributable to fixed assets during construction/renovation and modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxes on income: Taxes on income for the current period are determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a pass-through to SEBs and SEB successor entities to the extent relatable to our core business, being the generation of electricity.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Our Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the SEBs and successor entities in future years on an actual payment basis.

REVENUES

Our total income comprises sale of energy, revenue from contracts and consultancy, interest on power bonds and long term advances and other income.

In Fiscal 2008, we sold 12,720.31 MU, or approximately 99.55% of units sold, to the SEBs and their successor entities, on a standalone basis. Our Subsidiary sold 3,401.67 MU, or 100% of units sold to the MPTRADCO and MPSEB, both entities of the government of Madhya Pradesh.

In Fiscal 2008, we derived Rs. 2,958.20 crore, or 99.75% of our revenues, from sale of energy from sales to SEBs and their successor entities on a consolidated basis. This constituted 80.48% of our total income.

Our sales of electricity are made pursuant to long term PPAs, which generally run for an initial term of five years. The agreements are typically renewed or extended after the initial term expires. All our existing facilities have PPAs that cover 100% of their generating capacity. Although electricity generation capacity has increased significantly in recent years, the demand for electricity in India is still substantially higher than the available supply. As a result, we have not

had difficulty entering into PPAs to cover our capacity and do not expect such difficulty in the near future.

We have historically had difficulty recovering our dues from the SEBs. In each of Fiscal 2002, 2003, 2004 and 2005 we recovered 69.03%, 94.44%, 97.06% and 101% of our billings from SEBs, respectively, in those years. The improvement in recovery in Fiscal 2004 was principally because of the One Time Settlement and the Tripartite Agreements, under which the SEBs were required to establish LCs to cover 105% of our billings to them. In each of Fiscal 2006, 2007 and 2008, we recovered 103%, 101% and 100% of our billings from SEBs respectively, which included billing in respect of sales pertaining to earlier years.

Further, under the Tripartite Agreements, overdue amounts owed to us by the SEBs as of September 30, 2001 were securitised by the issue of tax free bonds/long-term advances. We account for the interest income from these bonds as “Interest on Power Bonds”. The Tripartite Agreements are discussed in further detail below.

Tariffs

The CERC sets our tariff rates on a station-by-station basis on the basis of the tariff norms it has promulgated.

Since April 1, 2004, our tariffs have been determined pursuant to the CERC’s tariff regulations, which are applicable for Fiscal 2005 to Fiscal 2009 and comprise the following elements:

The AFC

The AFC consists of the following components:

- Return on equity of 14%, on a post-tax basis. Return on equity is based on a prescribed ‘70/30’ debt equity ratio. Where the equity employed is greater than 30%, the amount of equity for determination of the tariff will be limited to 30%. The return on the excess equity is recovered on the same basis as the recovery on the debt component. Where the equity employed is less than 30%, the actual amounts of debt and equity is to be used for purposes of determination of the tariff. In respect of power stations that were commissioned after April 1, 2004, but for which investment approval was accorded before April 1, 2004, the CERC may consider equity higher than 30% based on the interests of the general public.
- Depreciation, which is charged on a straight line basis up to 90% of historical costs of assets based on the useful lives of our assets as established by the CERC.
- An “advance against depreciation” to facilitate loan repayments, based on a normative ten year repayment of debt. This advance is deducted from sales and is considered as deferred revenues, to be included in sales in subsequent years.
- Interest on outstanding debt; depreciation recovered from tariffs during the moratorium period, if any, on project loans is deemed to be paid towards loan repayment for the purposes of future tariff calculations, and the interest on these loans is calculated accordingly.
- Operation and maintenance expenses (i) for existing stations that have been in operation for more than five years, based on the average operation and maintenance expenses for the preceding years, and (ii) for new stations at 1.5% of capital costs. These costs are adjusted annually to account for inflation.

- Interest on working capital determined in accordance with CERC norms.

AFC is recovered by way of primary energy charges and capacity charges.

- Primary energy charge is the product of saleable primary energy (in MU) and primary energy rate.
- Saleable primary energy is the lower of saleable scheduled energy and saleable design energy.
- Primary energy rate is based on the yearly average of lowest variable charges of any central sector thermal generating station in the region for the preceding year.
- Capacity charge is equivalent to the AFC minus the primary energy charge. To recover the full capacity charge, we need to achieve normative capacity index, which is fixed at 85% for storage-type power stations and RoR power stations with pondage but changes to 90% for purely run-of-the-river power stations. If we operate at less than normative capacity index, we recover capacity charges on a *pro rata* basis.

Incentives

Incentives consist of:

- Incentives on account of excess generation, known as “secondary energy” charges, which are charged at a primary energy rate of saleable units over and above saleable design energy.
- Incentives on account of excess machine availability, which are incentives for exceeding our normative capacity index of 85% for storage-type power stations and RoR power stations with pondage and to 90% for purely RoR power stations.

Unscheduled Interchange Charges

We receive or pay unscheduled interchange charges in the event that the supply of energy is at variance with the scheduled energy given by the relevant load dispatch centre. The charge varies depending on system frequency. The unscheduled interchange charge became effective from December 1, 2002 for the northern region, April 1, 2003 for the eastern region and November 1, 2003 for the north eastern region and is charged in accordance with the rates notified by the CERC from time to time.

Income Tax

Any income tax payable on our core business, which includes sale of energy, is passed through as part of tariff to SEBs and successor entities.

Foreign Exchange

Fluctuations in exchange rates for offshore borrowings are recoverable or payable through our tariffs on a year-to-year basis on account of additional rupee liability in respect of interest and repayment of principal.

Anticipated Changes to Tariffs

The CERC has issued an “Approach Paper” dated December 11, 2007 to discuss the principles and approaches to be adopted for tariff determination during the next tariff period beginning April

1, 2009. Among the issues to be considered is whether the CERC should continue with the return on equity (“RoE”) approach or link the tariff rate to the return on capital employed (“RoCE”). The CERC is also considering whether to continue with the present fixed rate of RoE on equity or link the rate of return to the market rate and whether return will be allowed on gross fixed assets or net fixed assets. The CERC is also reviewing the fixed post-tax RoE (currently at 14%) and whether this should be calculated post-tax or pre-tax in the next tariff period. In addition, the treatment of depreciation, capital costs and interest on working capital as they relate to tariffs is also being reviewed. Any changes in the current tariff structure could affect our cash flow and results of operations.

Reviews of, or changes in, tariff norms by CERC, judgments of the Appellate Tribunal for Electricity or notifications by respective State governments relating to issues that affect hydropower generation may limit our ability to recover payments due to us or prices that we can charge for our power and may have adverse effect on our results of operations and cash flow from operations. For a discussion on tariff policy in the electricity industry in India, see “*Regulations and Policies in India*” on page 103.

Provisional Tariffs

Occasionally, CERC does not fix the final tariff by the time the project is commercially operative. For these stations, CERC fixes a provisional tariff on the basis of which we bill the customer. Similarly, upon a change in the tariff, provisional tariffs are allowed by CERC pending the implementation of final tariff for the new tariff period. However, we book revenues based on the lower of our assessment of the likely final tariff based on the CERC regulations and the provisional tariff fixed by CERC. When the CERC fixes the final tariff for these hydropower stations, we make adjustments to our revenues on the basis of the final order to the extent of the difference between the provisionally booked revenues and the revenues based on the final tariffs.

The Tripartite Agreements

Pursuant to the One Time Settlement, the GoI, on behalf of the central sector power utilities, executed Tripartite Agreements with the RBI and the State governments to effectuate a settlement of overdue payments, by way of tax-free power bonds, owed to us by the SEBs or other State government entities and utilities or their successors with provisions for incentives for future timely payment. In addition, a similar settlement, by way of long term advances, was entered into between the GoI and the national capital territory of Delhi (“Settlement”).

Under these agreements, the overdue amounts outstanding as of September 30, 2001 were securitised by the issue of tax-free power bonds and long term advances amounting to Rs. 2,818.04 crore against outstanding principal dues, late payment surcharge, and conversion of bonds issued by the SEBs after March 1, 1998. Tax free interest on the power bonds and long-term advances is payable to us at a rate of 8.5% per annum. These bonds mature and the long-term advances are payable in various stages, starting from October 1, 2006 until April 1, 2016.

Although the Tripartite Agreements and Settlement were executed in Fiscal 2003 and Fiscal 2004 and the bonds and long term advances were issued thereafter, the deemed date of allotment of the bonds and long term advances was October 1, 2001. We accounted for the interest on the bonds and long term advances in Fiscals 2003 and 2004 for the period beginning from October 1, 2001.

The Tripartite Agreements and Settlement require each SEB to establish an LC in our favour with a commercial bank. The LCs are required to cover 105% of the average billed amount for the preceding twelve months and are 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 and their successor entities in accordance with the provisions of the Tripartite Agreements.

The SEBs are required to make payment either through the LC or otherwise within 60 days after we raise the invoice. If payment is not made within 60 days, we are able to levy a surcharge on the outstanding amount at the rate of 15% p.a. compounded quarterly. This surcharge is accounted for as other income as and when realised.

In addition, if payment is not made within 60 days of the invoice being issued, 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 within 90 days, we have the right to reduce power supply by 15%. If we reduce the power supply in the manner described above, we can approach the GoI to pay the outstanding amounts to us from the concerned state's account balance with the RBI.

The security mechanisms under these Tripartite Agreements are valid up to 2016. The Tripartite Agreements, however, provide that upon divestment of ownership or control of a SEB or any of the entities resulting from the unbundling of a SEB, as applicable, in favor of any entity not owned or controlled, directly or indirectly, by the applicable State government, the Tripartite Agreement relating to the SEB or the unbundled entity, as applicable, will expire. In such an event, a fresh PPA will have to be entered into with such unbundled entities. Any delay in execution or change in terms and conditions in the PPA could have an adverse impact on our realization of payments against sale of power.

Contracts and Consultancy Income

We also earn a small amount of revenue from entering into projects for consultancy services and on an agency basis. These include execution of works under construction contracts pursuant to the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure, primarily distribution lines. These two schemes are overseen by different agencies of the GoI and executed by PSUs and government departments. We are responsible for executing the construction projects allocated to us in certain specified areas throughout India.

Other Income

Our other income is mainly comprised of interest on short term deposits, interest on loans and advances (accounted for as income from term deposits), interest from SEBs and successor entities, dividend income, and late payment surcharge from customers.

EXPENDITURES

Generation, Administration and other Expenses

Expenses relating to generation, which include repairs and maintenance, consumption of stores and spares, and expenses relating to administration, which include rent, rates, taxes, insurance, security, travel and other expenses, are classified under this group. In Fiscal 2008, such expenses represent approximately 11.21% of our total expenditure.

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. For Fiscal 2008, employees' remuneration and benefits expenses represented approximately 16.23% of our total expenditures. Expenses on *ex-gratia* payments and notice pay under the voluntary retirement scheme are charged to revenue in the year of incurrence.

The remuneration and benefit cost of those employees deployed in construction projects is capitalized through incidental expenditure during construction.

In respect of those employees that are engaged at, or perform work at, our hydropower stations, employee cost is included in this line item. Voluntary retirement scheme payments in respect of those employees deployed in construction projects is included in this line item.

In respect of head office and regional offices, employee cost is allocated to construction and hydropower stations in accordance with our defined accounting policy.

Employee pay scales are determined by our Board based on the guidelines provided by the DPE. For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. Approximately 60.27% of our employees are affiliated with worker unions. For our non-unionised employees, pay scales are decided by our Board in accordance with DPE guidelines after consulting with the relevant employee associations. Wages and benefits for our unionised employees and pay scales for our non-unionised employees are fixed in agreements that have 10 year terms. The most recent agreements expired on December 31, 2006 and new agreements are currently being negotiated. Any revision to wages and benefits set out in such agreements will apply retrospectively from January 1, 2007.

In addition, the implementation of the Sixth Pay Commission report in respect of central government employees, as well as the Pay Committee review for public sector employees, is expected in Fiscal 2009. Subject to acceptance of the recommendations of the Sixth Pay Commission and the Pay Committee, by the GoI, the recommended salary increases are expected to be effective from January 2006 for employees on CDA pattern, and from January 2007 for employees employed on IDA pattern, respectively. In addition, the Pay Committee has recommended that all public sector undertakings should formulate an employees' stock option plan ("ESOP") and 10% to 25% of the PRP should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify. For further information, see "***Risk Factors – The recommendations of the Sixth Pay Commission and the Pay Committee will increase our expenses, which could adversely affect our financial condition in the years of implementation.***" on page xviii.

We believe we have made appropriate provisions in our accounts in respect of all anticipated increases to employees' remuneration and benefits.

Depreciation

We depreciate assets on a straight line method to the extent of 90% of the cost of the asset at rates specified in norms notified by CERC for the purpose of recovery of tariff on a pro-rata basis.

In respect of assets for which depreciation rates have not been notified by the CERC regulations, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by our Company are adopted.

Depreciation is charged on computers and peripherals at 30% p.a. Expenditure on software is recognized as "Intangible Assets" to be amortized over three years.

Depreciation is provided on pro rata basis in the year in which the asset becomes available for use. Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

Capital expenditure on assets where neither the land nor the asset is owned by our Company is amortised over a period of 5 years from the year in which the first unit of the project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

Interest and Finance Charges

Our interest charges consist primarily of interest expense on bonds and term loans. For accounting purposes, our borrowings are denominated in Rupees including those raised in foreign currencies, consisting primarily of Japanese Yen, U.S. Dollars and Euros. Borrowing costs related to construction are capitalized.

In addition, to encourage SEBs and SEB successor entities to make full and regular payment of current dues we allow rebates of up to 2% of the billed amount on a case-by-case basis. We book these rebates to customers under interest and finance charges.

Provisions

We maintain provisions on account of doubtful debts, claims, advances and obsolescence of stores and spares. Such provisions are estimated on a year to year estimated basis and are based upon management assessment of respective provisioning norms applicable to each item.

Contract and Consultancy Expenses

Contract expenditure represents expenditure on contracts that we execute either on an agency basis or otherwise on behalf of third parties, primarily the GoI on behalf of State governments. Losses including those anticipated in the contracts are recognized immediately. We also expense employee expenditure for our consultancy personnel under this head. As of March 31, 2008, we had 273 consultancy personnel.

Incentive to Beneficiary States

Prior to April 1, 2006, in order to comply with the provisions under the Tripartite Agreements and Settlement we were required to provide for cash incentives to SEBs and SEB successor entities based on the issued amount of the power bonds and long term advances. However, we are no longer required to pay such incentives from April 1, 2006.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits for the periods indicated.

The financial information for Fiscal 2008, 2007 and 2006 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of the restatement are shown as restatements of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from year to year that follows the table below, we have referred to the adjusted amounts that appear in our financial statements when we discuss individual line items.

Particulars	For the Fiscal year ended March 31,		
	2008	2007	2006
Income			
Sales of Energy (Net)	2,908.20	2,243.60	2,024.20

(Rs. in crore)

Particulars	For the Fiscal year ended March 31,		
	2008	2007	2006
Contracts and Consultancy Income	326.49	128.75	48.41
Interest on Power Bonds and Long term Advances	209.22	234.08	239.54
Other Income	231.70	76.24	58.96
TOTAL	3,675.61	2,682.67	2,371.11
Expenditure			
Generation, Administration and other Expenses	234.76	160.93	195.68
Employees' Remuneration and Benefits	339.93	249.74	207.93
Depreciation	558.76	367.41	343.04
Interest and Finance charges	630.24	361.51	412.78
Provisions	11.43	23.74	8.85
Contract and Consultancy expenses	319.09	126.43	50.09
Incentive to Beneficiary States	-	-	75.49
Total	2,094.21	1,289.76	1,293.86
Profit before minority interest and tax	1,581.40	1,392.91	1,077.25
Provision for Taxation			
Current year tax and Fringe benefit tax	174.47	197.20	68.56
Deferred Tax	400.13	351.36	247.62
Less: Deferred tax recoverable adjustment	(400.13)	(351.36)	(247.62)
Net Taxation	174.47	197.20	68.56
Minority interest	174.62	127.64	129.40
Net Profit	1,232.31	1,068.07	879.29

Comparison of Fiscal 2008 to Fiscal 2007

In Fiscal 2008, we sold 16,181.29 MUs of electricity from commercial capacity of 4,794.20 MW and in Fiscal 2007, we sold 13,874.58 MUs from commercial capacity of 3,714.20 MW. This represents an increase of 16.63% in the number of units sold. Our average selling price was Rs. 1.80 per unit in Fiscal 2008, compared to Rs. 1.62 per unit in Fiscal 2007. Our average capacity index in Fiscal 2008 was 96.13% compared to 94.11% in Fiscal 2007.

Income

(Rs. in crore)

Income	Fiscal 2008	Fiscal 2007
Operating Income	3,443.91	2,606.43
Other Income	231.70	76.24
Total Income	3,675.61	2,682.67

Our total income increased by 37.01% to Rs. 3,675.61 crore in Fiscal 2008 from Rs. 2,682.67 crore in Fiscal 2007, primarily due to commissioning of three new hydropower stations and sale of projects to private parties under the directives of the GoI and State governments. We also earned income from contract and consultancy projects during Fiscal 2008.

Sales of Energy (Net)

Net sales of energy increased by 29.62% to Rs. 2,908.20 crore in Fiscal 2008 from Rs. 2,243.60 crore in Fiscal 2007. This net increase of Rs. 664.60 crore was mainly due to the commissioning of the Dulhasti, Teesta V and Omkareshwar power stations.

Contracts and Consultancy Income

Our income from contracts and consultancy was Rs. 326.49 crore in Fiscal 2008, an increase of 153.58% over our contracts and consultancy income of Rs. 128.75 crore in Fiscal 2007. Our income from contracts increased in Fiscal 2008 mainly due to execution of work on road projects that accounted for Rs. 148.52 crore, and rural electrification projects for that accounted for Rs. 156.33 crore.

Interest on Power Bonds and Long Term Advances

Our income from interest on power bonds and long term advances was Rs. 209.22 crore in Fiscal 2008, resulting in a decrease of 10.62% from Rs. 234.08 crore in Fiscal 2007. This decrease was mainly on account of redemption of power bonds and long term advances.

Other Income

Our other income was Rs. 231.70 crore in Fiscal 2008, an increase of 203.92% over our other income of Rs. 76.24 crore in Fiscal 2007.

Income from interest earned on our term deposit accounts and advances amounting to Rs. 109.54 crore contributed to the increase in other income in Fiscal 2008.

We earned income amounting to Rs. 52.00 crore from the sale of the Siyom hydroelectric project to Siyom Hydropower Project Private Limited pursuant to an order of the government of Arunachal Pradesh and the GoI. The Siyom project was at the survey and investigation stage and consideration was paid in connection with the DPR we prepared in respect of this project and project-related assets. The DPR was transferred in December 2007 and the total profit from this sale was accounted for in March 2008, although certain project-related assets were transferred to the purchaser pursuant to a memorandum of transfer dated April 17, 2008.

In addition, we received Rs. 44.46 crore as income from SEBs and SEB successor entities, which comprised the overdue amounts outstanding as on March 26, 2008 from customers in the state of Madhya Pradesh that were securitised for the amount of Rs. 448.25 crore against outstanding principal dues. We accounted for interest in respect of the same in Fiscals 2007, 2006 and 2005.

Expenditure

<i>(Rs. in crore)</i>		
Expenditure	Fiscal 2008	Fiscal 2007
Generation, Administration and other Expenses	234.76	160.93
Employees' Remuneration and Benefits	339.93	249.74
Depreciation	558.76	367.41
Interest and Finance Charges	630.24	361.51
Provisions	11.43	23.74
Contract and Consultancy Expenses	319.09	126.43
Total Expenditure	2,094.21	1,289.76

Our total expenditure increased by 62.37% to Rs. 2,094.21 crore in Fiscal 2008 from Rs. 1,289.76 crore in Fiscal 2007. Our total expenditures as a percentage of our total income was 56.98% in Fiscal 2008 compared to 48.08% in Fiscal 2007. This increase was primarily due to sale of power from the Dulhasti power station at a provisional rate of Rs. 3 per unit whereas the related expenditure was accounted for on an actual basis. Another major expense was the provision for wage revisions in connection with the Sixth Pay Commission report in respect of central government employees and the Pay Committee report for IDA employees. Further, provisions relating to the hedging of our foreign currency exposure and major repairs in connection with the Tanakpur power station contributed to our total expenditure for Fiscal 2008.

Generation, Administration and Other Expenses

Our generation, administration and other expenses increased by 45.88% to Rs. 234.76 crore in Fiscal 2008 from Rs. 160.93 crore in Fiscal 2007. These expenses increased due to the commissioning of the Dulhasti, Teesta V and Omkareshwar projects in Fiscal 2008 and Rs. 12.00 crore expenditure on major repairs of the power channel in connection with the Tanakpur power station.

Employees' Remuneration and Other Benefits

We had 12,980 employees on our payroll as of March 31, 2008, compared to 13,391 employees as of March 31, 2007. Of this, 4,843 and 4,750 employees, respectively, were engaged in operation and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees increased by 36.11% to Rs. 339.93 crore in Fiscal 2008 from Rs. 249.74 crore in Fiscal 2007. The additional hydropower projects commissioned in Fiscal 2008 contributed to an increase in employee costs by Rs. 50.06 crore and the wage revision and provisions to employee benefits on an actuarial valuation basis of Rs. 40.13 crore also contributed to this increase. However, as a percentage of total income, employees' remuneration and other benefits decreased from 9.31% in Fiscal 2007 to 9.25% in Fiscal 2008.

Depreciation

Our depreciation costs increased by 52.08% to Rs. 558.76 crore in Fiscal 2008 from Rs. 367.41 crore in Fiscal 2007. Our depreciation expense increased primarily due to the commissioning of the three additional hydropower projects in Fiscal 2008. As a percentage of our income, depreciation remained steady due to a corresponding increase in sales of energy.

Interest and Finance Charges

Interest and finance charges increased by 74.34% to Rs. 630.24 crore in Fiscal 2008 from Rs. 361.51 crore in Fiscal 2007. This figure increased primarily due to increase in interest charged on loans taken for the additional hydropower projects commissioned in Fiscal 2008. Prior to commissioning, such interest charges were capitalized and after commissioning these payments are treated as an interest expense. Further, pursuant to an announcement made by the Institute of Chartered Accountants of India requiring us to provide for losses as on the date of the balance sheet relating to derivative exposure, we have made a provision, on the basis of mark to market valuation, of Rs. 23.00 crore in Fiscal 2008 concerning hedging transactions entered into in Fiscal 2004 in respect of our foreign currency loan of JPY 534.70 crore.

Provisions

Our provisions decreased by 51.85% to Rs. 11.43 crore in Fiscal 2008 from Rs. 23.74 crore in Fiscal 2007. In Fiscal 2007 we had provided for expenses of Rs. 8.87 crore incurred in the Devade

and Bav II projects. These projects were abandoned in Fiscal 2007 resulting in lower levels of provisioning in Fiscal 2008.

Contract and Consultancy Expenses

Our contract and consultancy expenses increased by 152.38% to Rs. 319.09 crore in Fiscal 2008 from Rs. 126.43 crore in Fiscal 2007. This increase was in line with the increase in income from contract and consultancy projects.

Profit Before Tax and Minority Interest

Due to the reasons outlined above, our profit before tax and minority interest increased by 13.53% to Rs. 1,581.40 crore in Fiscal 2008 from Rs. 1,392.91 crore in Fiscal 2007.

Provision for Tax

In Fiscal 2008, we provided for Rs. 174.47 crore for tax compared to Rs. 197.20 crore in Fiscal 2007. The decrease was the net impact of a decrease in advance against depreciation, which is added back to profit before tax for the purposes of calculating MAT, along with an increase in tax rate and FBT.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 174.62 crore for Fiscal 2008, an increase of 36.81% from Rs. 127.64 crore for Fiscal 2007.

Restated Net Profit after minority interest

As a result of the foregoing factors, our restated net profit increased by 15.38% to Rs. 1,232.31 crore in Fiscal 2008 from Rs. 1,068.07 crore in Fiscal 2007. As a percentage of total income, our net profit decreased from 39.81% in Fiscal 2007 to 33.53% in Fiscal 2008.

Comparison of Fiscal 2007 to Fiscal 2006

In Fiscal 2007, we sold 13,874.58 MUs of electricity from commercial capacity of 3,714.20 MW and in Fiscal 2006, we sold 13,343.31 MUs from commercial capacity of 3,729.20 MW. This represents an increase of 3.98% in the number of units sold. Our average selling price was Rs. 1.62 per unit in Fiscal 2007, compared to Rs. 1.52 per unit in Fiscal 2006. Our average capacity index was 94.11% in Fiscal 2007 compared to 98.16% in Fiscal 2006.

Income

(Rs. in crore)

Income	Fiscal 2007	Fiscal 2006
Operating Income	2,606.43	2,312.15
Other Income	76.24	58.96
Total Income	2,682.67	2,371.11

Our total income increased by 13.14% to Rs. 2,682.67 crore in Fiscal 2007 from Rs. 2,371.11 crore in Fiscal 2006, mainly on account of increase in sales of energy due to the operation of the Dhauliganga power station for a full year. We also earned income from contract and consultancy projects during Fiscal 2007.

Sales of Energy (Net)

Our net sales increased by 10.84% to Rs. 2,243.60 crore in Fiscal 2007 from Rs. 2,024.20 crore in Fiscal 2006. This increase was primarily as a result of the operation of the Dhauliganga hydropower station for the full Fiscal year.

Contracts and Consultancy Income

Our income from contracts and consultancy was Rs. 128.75 crore in Fiscal 2007, an increase of 165.96% over our contracts and consultancy income of Rs. 48.41 crore in Fiscal 2006. Our income from contracts and consultancy projects increased in Fiscal 2007 mainly due to execution of work on road and rural electrification projects.

Interest on Power Bonds and Long term Advances

Our income from interest on power bonds and long term advances was Rs. 234.08 crore in Fiscal 2007, a decrease of 2.28% from Rs. 239.54 crore in Fiscal 2006. The higher interest received in Fiscal 2006 was on account of redemption of power bonds amounting to Rs. 256.45 crore in Fiscal 2007.

Other Income

Our other income was Rs. 76.24 crore in Fiscal 2007, an increase of 29.31% from Rs. 58.96 crore in Fiscal 2006. Income from interest earned on term deposits of Rs. 11.31 crore mainly contributed to the increase in other income in Fiscal 2007.

Expenditure

<i>(Rs. in crore)</i>		
Expenditure	Fiscal 2007	Fiscal 2006
Generation, Administration and other Expenses	160.93	195.68
Employees' Remuneration and Benefits	249.74	207.93
Depreciation	367.41	343.04
Interest and Finance Charges	361.51	412.78
Provisions	23.74	8.85
Contract and Consultancy Expenses	126.43	50.09
Incentive to Beneficiary States	-	75.49
Total Expenditure	1,289.76	1,293.86

Our total expenditure decreased by 0.32% to Rs. 1,289.76 crore in Fiscal 2007 from Rs. 1,293.86 crore in Fiscal 2006. Our total expenditures as a percentage of our total income was 48.08% in Fiscal 2007 compared to 54.57% in Fiscal 2006. This was mainly due to an increase in expenses in connection with our Dhauliganga project resulting from its first full year of operation, which was offset by project expenses of Rs. 53.76 crore written-off due the abandonment of the Koel Karo and Bav I projects after they were both deemed to be unviable in Fiscal 2006.

Generation, Administration and Other Expenses

Our generation, administration and other expenses decreased by 17.76% to Rs. 160.93 crore in Fiscal 2007 from Rs. 195.68 crore in Fiscal 2006. This was mainly due to an increase in expenses in connection with our Dhauliganga project resulting from its first full year of operation, which was offset by project expenses of Rs. 53.76 crore written-off due the abandonment of the Koel Karo and Bav I projects in Fiscal 2006.

Employees' Remuneration and Other Benefits

We had 13,391 employees on our payroll as of March 31, 2007, compared to 13,607 employees as of March 31, 2006. Of this, 4,750 and 4,540 employees, respectively, were engaged in operation and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees increased by 20.11% to Rs. 249.74 crore in Fiscal 2007 from Rs. 207.93 crore in Fiscal 2006. This increase was primarily due to the full year operation of the Dhauliganga project, which increased employee remuneration expenditure by Rs. 12.41 crore. Additionally, we incurred further expenses of Rs. 29.40 crore on account of modification of the pay structure of executives and for routine increases in employee remuneration.

Depreciation

Our depreciation increased by 7.10% to Rs. 367.41 crore in Fiscal 2007 from Rs. 343.04 crore in Fiscal 2006. This was due to the operation of the Dhauliganga power station for the full Fiscal year.

Interest and Finance Charges

Interest and finance charges decreased by 12.42% to Rs. 361.51 crore in Fiscal 2007 from Rs. 412.78 crore in Fiscal 2006. This figure decreased due to the full repayment of a number of general purpose loans as well as renegotiation of the interest rate on certain project specific loans which amounted to Rs. 85.00 crore. This saving in interest was partially offset by the payment of interest upon the operation of the Dhauliganga power station for the full Fiscal year. Prior to commissioning, such interest charges were capitalized and after commissioning these payments are treated as an interest expense.

Provisions

Our provisions increased by 168.25% to Rs. 23.74 crore in Fiscal 2007 from Rs. 8.85 crore in Fiscal 2006. The primary reason for the increase in the level of provisioning in Fiscal 2007 was a Rs. 8.87 crore provision made prior to approval of the write-off of expenses incurred in respect of the Bav II and Devade power projects after they were both deemed to be unviable in Fiscal 2007.

Contract and Consultancy Expenses

Our contract and consultancy expenses increased by 152.41% to Rs. 126.43 crore in Fiscal 2007 from Rs. 50.09 crore in Fiscal 2006. This increase is in line with the increase in income generated from contract and consultancy projects.

Incentives to Beneficiary States

During Fiscal 2006 we provided for incentives of Rs. 75.49 crore to SEBs in order to comply with the terms of the One Time Settlement. Pursuant to this scheme, we are no longer required to pay these incentives with effect from April 1, 2006.

Profit Before Tax and Minority Interest

Due to reasons mentioned above, our profit before tax increased by 29.30% to Rs. 1,392.91 crore in Fiscal 2007 from Rs. 1,077.25 crore in Fiscal 2006.

Provision for Tax

In Fiscal 2007, we provided for Rs. 197.20 crore for tax compared to Rs. 68.56 crore in Fiscal 2006, an increase of 187.63%. The increase was primarily due to an increase in our effective rate of taxation from 8.42% to 11.22%, an increase in profit before tax and an increase in advance against depreciation, which is added back to profit before tax for the purposes of calculating MAT.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 127.64 crore for Fiscal 2007, a decrease of 1.36% from Rs. 129.40 crore for Fiscal 2006.

Restated Net Profit

As a result of the foregoing factors, our net profit increased by 21.47% to Rs. 1,068.07 crore in Fiscal 2007 from Rs. 879.29 crore in Fiscal 2006. As a percentage of total income, our net profit increased to 39.81% in Fiscal 2007 from 37.08% in Fiscal 2006.

Comparison of Fiscal 2006 to Fiscal 2005

In Fiscal 2006, we sold 13,343.31 MUs of electricity from commercial capacity of 3,729.20 MW and in Fiscal 2005, we sold 11,076.72 MUs from commercial capacity of 3,449.20 MW. This represents an increase of 20.46% in the number of units sold. Our average selling price was Rs. 1.52 per unit in both Fiscal 2006 and Fiscal 2005. Our average capacity index in Fiscal 2006 was 98.16% compared to 95.30% in Fiscal 2005.

Income

(Rs. in crore)

Income	Fiscal 2006	Fiscal 2005
Operating Income	2,312.15	1,947.39
Other Income	58.96	41.08
Total Income	2,371.11	1,988.47

Our total income increased by 19.24% to Rs. 2,371.11 crore in Fiscal 2006 from Rs. 1,988.47 crore in Fiscal 2005 primarily due to the impact of a full year of operation by all eight units of the Indira Sagar power station and the impact of the commissioning of one unit of the Dhauliganga project on October 1, 2005 and three units on November 1, 2005. We also earned income from contract and consultancy projects during Fiscal 2006.

Sales of Energy (Net)

Our net sales increased by 20.31% to Rs. 2,024.20 crore in Fiscal 2006 from Rs. 1,682.48 crore in Fiscal 2005. This increase was due to the impact of a full year of operation by all eight units of the Indira Sagar power station and the impact of the commissioning of one unit of the Dhauliganga project on October 1, 2005 and three units on November 1, 2005.

Contracts and Consultancy Income

Our income from contracts and consultancy was Rs. 48.41 crore in Fiscal 2006, an increase of 90.82% over our contracts and consultancy income of Rs. 25.37 crore in Fiscal 2005. Our income from contracts and consultancy projects increased mainly because of an increase in the number of road and rural electrification projects in which we were involved. We began undertaking this work on behalf of the GoI in Fiscal 2005.

Interest on Power Bonds and Long term Advances

Our income from interest on power bonds and long term advances was Rs. 239.54 crore in Fiscal 2006, which remained unchanged from Rs. 239.54 crore in Fiscal 2005 as the first redemptions were made on October 1, 2006.

Other Income

Our other income was Rs. 58.96 crore in Fiscal 2006, an increase of 43.51% from Rs. 41.08 crore in Fiscal 2005. This increase in other income was on account of an increase in interest on term deposits, interest from SEBs and SEB successor entities and surcharge income.

Expenditure

<i>(Rs. in crore)</i>		
Expenditure	Fiscal 2006	Fiscal 2005
Generation, Administration and other Expenses	195.68	151.46
Employees' Remuneration and Benefits	207.93	219.97
Depreciation	343.04	293.18
Interest and Finance Charges	412.78	396.79
Provisions	8.85	22.78
Contract and Consultancy Expenses	50.09	21.15
Incentive to Beneficiary States	75.49	81.25
Total Expenditure	1,293.86	1,186.58

Our total expenditure increased to Rs. 1,293.86 crore in Fiscal 2006 from Rs. 1,186.58 crore in Fiscal 2005. This increase was primarily due to a 29.20% increase in generation, administration and other expenses and a 17.01% increase in depreciation. Our total expenditures as a percentage of our total income was 54.57% in Fiscal 2006 compared to 59.67% in Fiscal 2005.

Generation, Administration and Other Expenses

Our generation, administration and other expenses increased by 29.20% to Rs. 195.68 crore in Fiscal 2006 from Rs. 151.46 crore in Fiscal 2005. These expenses increased due to the impact of a full year of operation by all eight units of the Indira Sagar power station and the impact of the commissioning of one unit of the Dhauliganga project on October 1, 2005 and three units on November 1, 2005. This item was also impacted by the write off of Rs. 53.76 crore during Fiscal 2006 on account of the abandonment of the Koel Karo and Bav I projects.

Employees' Remuneration and Other Benefits

We had 13,607 employees on our payroll as of March 31, 2006, compared to 14,966 employees as of March 31, 2005. Of this, 4,540 and 4,513 employees, respectively, were engaged in operation

and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees decreased by 5.47% to Rs. 207.93 crore in Fiscal 2006 from Rs. 219.97 crore in Fiscal 2005. This decrease was due to a decrease of Rs. 32.93 crore in voluntary retirement scheme expenditure in connection with retirement benefits in Fiscal 2006. Remuneration and other employee expenses was also impacted by payment to employees for a full year of operation of the Indira Sagar power station and the impact of the commissioning of four units of the Dhauliganga project. Additionally, there was a modification of the pay structure of executive employees in March 2006, with a retrospective effect and the introduction of productivity-related incentive schemes for employees effective from Fiscal 2006.

Depreciation

Our depreciation increased by 17.01% to Rs. 343.04 crore in Fiscal 2006 from Rs. 293.18 crore in Fiscal 2005. Our depreciation expense increased primarily due to impact of a full year of operation by all eight units of the Indira Sagar power station and the impact of the commissioning of one unit of the Dhauliganga project on October 1, 2005 and three units on November 1, 2005. As a percentage of our income, depreciation remained steady due to a corresponding increase in sales of energy.

Interest and Finance Charges

Interest and finance charges increased by 4.03% to Rs. 412.78 crore in Fiscal 2006 from Rs. 396.79 crore in Fiscal 2005. This figure increased due to a full year of operation by all eight units of the Indira Sagar power station and the impact of the commissioning of one unit of the Dhauliganga project on October 1, 2005 and three units on November 1, 2005. Prior to commissioning, such interest charges were capitalized and after commissioning these payments are treated as an interest expense. This increase was partially offset by the repayment of a number of general purpose loans as well as renegotiation of the interest rate on certain project specific loans.

Provisions

Our provisions decreased by 61.15% to Rs. 8.85 crore in Fiscal 2006 from Rs. 22.78 crore in Fiscal 2005. This decrease was mainly due to provisions of Rs. 14.89 crore for an exceptional item in Fiscal 2005 relating to disputed receivables.

Contract and Consultancy Expenses

Our contract and consultancy expenses increased by 136.83% to Rs. 50.09 crore in Fiscal 2006 from Rs. 21.15 crore in Fiscal 2005. This increase was due to expenditure in relation to our work on road and rural electrification projects.

Incentives to Beneficiary States

We provided for Rs. 75.49 crore as incentives to beneficiary states in Fiscal 2006, down by 7.10% from payments of Rs. 81.25 crore in Fiscal 2005. This incentive is linked to compliance with certain stipulated financial and operational parameters of the Tripartite Agreements, Settlement and other similar agreements with SEBs and SEB successor entities. During the year there was no change in the incentive structure, however, there was a decrease due to lower incentives payable to the SEBs and SEB successor entities.

Profit Before Tax and Minority Interest

Due to the reasons outlined above, our profit before tax increased by 34.34% to Rs. 1,077.25 crore in Fiscal 2006 from Rs. 801.89 crore in Fiscal 2005.

Provision for Tax

In Fiscal 2006, we provided for Rs. 68.56 crore for tax compared to Rs. 77.24 crore in Fiscal 2005. This decrease was due to a higher amount of advance against depreciation during Fiscal 2005, which is added back to profit before tax for the purposes of calculating MAT.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 129.40 crore for Fiscal 2006, an increase of 180.76% from Rs. 46.09 crore for Fiscal 2005.

Net Profit

As a result of the foregoing factors, our net profit increased by 29.58% to Rs. 879.29 crore in Fiscal 2006 from Rs. 678.56 crore in Fiscal 2005. As a percentage of total income, our net profit increased to 37.08% in Fiscal 2006 from 34.12% in Fiscal 2005.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We depend on both internal and external sources of liquidity to provide working capital and to fund capital requirements. We have traditionally funded our capital expenditures with internally generated funds, equity contributions by the GoI and debt financing. We generally enter into long term borrowings in the form of term loans or issue bonds, which may be in Indian Rupees or foreign currencies. We had cash and cash equivalents of Rs. 2,345.87 crore, Rs. 816.29 crore, Rs. 892.78 crore and Rs. 973.55 crore as of March 31, 2008, 2007, 2006 and 2005, respectively. As of March 31, 2008, we also had a committed undrawn credit facility of approximately Rs. 8,383.43 crore.

Cash Flows

	<i>(Rs. in crore)</i> Year ended March 31,			
	2008	2007	2006	2005
Net cash flow from (used in) operating activities	3,064.07	2,060.07	2,097.40	1,702.22
Net cash flow from (used in) investment activities	(2,767.20)	(2,948.04)	(2,755.67)	(3,320.89)
Net cash flow from (used in) financing activities	1,232.71	811.48	577.50	1,759.02
Net cash and cash equivalents at the end of the year	2,345.87	816.29	892.78	973.55

Net Cash from Operations

Our net cash from operating activities was Rs. 3,064.07 crore in Fiscal 2008. We had net profit before tax of Rs. 1,581.40 crore based on our restated balance sheet and adjusted profit. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 560.61 crore as well as a total of Rs. 6.97 crore for provisions and Rs. 57.27 crore in deferred revenue on account of tariff adjustment/Advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of a decrease in working capital of Rs. 508.34 crore,

consisting primarily of the net effect of an increase in trade payables, and a decrease in trade and other receivables, and increase in other current assets.

Our net cash from operating activities was Rs. 2,060.07 crore in Fiscal 2007. We had net profit before tax of Rs. 1,392.91 crore based on our restated balance sheet and adjusted profit. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 372.13 crore as well as a total of Rs. 23.38 crore for provisions and Rs. 189.33 crore in deferred revenue on account of Tariff adjustment/advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of an increase in working capital of Rs. 40.80 crore, consisting primarily of the net effect of an increase in trade payables, and an increase in trade and other receivables, and increase in other current assets.

Our net cash from operating activities was Rs. 2,097.40 crore in Fiscal 2006. We had net profit before tax of Rs. 1,077.25 crore based on our restated balance sheet and adjusted profit. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 441.92 crore as well as a total of Rs. 41.66 crore for provisions and Rs. 101.30 crore in deferred revenue on account of Tariff adjustment/advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of a decrease in working capital of Rs. 151.99 crore, consisting primarily of the net effect of an increase in trade payables, and a decrease in trade and other receivables, and increase in other current assets.

Net Cash from Investing Activities

Our net cash used in investing activities was Rs. 2,767.20 crore in Fiscal 2008. This reflected expenditure on fixed assets of Rs. 3,149.27 crore offset by sale proceeds of fixed assets, investments and dividend income.

Our net cash used in investing activities was Rs. 2,948.04 crore in Fiscal 2007. This reflected expenditure on fixed assets of Rs. 3,206.44 crore offset by sale proceeds of fixed assets, investments and dividend income.

Our net cash used in investing activities was Rs. 2,755.67 crore in Fiscal 2006. This reflected expenditure on fixed assets of Rs. 2,757.15 crore off set by sale proceeds of fixed assets and dividend income.

Net Cash from Financing Activities

In Fiscal 2008, our net cash flow from financing activities was Rs. 1,232.71 crore. We raised Rs. 2,677.64 crore of new borrowings, consisting principally of domestic term loans of Rs. 2,638.16 crore and Rs. 39.48 crore of foreign borrowings. We also received a capital grant from the government of Madhya Pradesh of Rs. 71.20 crore in respect of our consolidated Subsidiary towards fixed assets. We did not receive any funds from the GoI in Fiscal 2008. We repaid Rs. 492.05 crore and paid interest and finance charges of Rs. 621.11 crore. In Fiscal 2008, we paid final dividends of Rs. 402.97 crore.

In Fiscal 2007, our net cash flow from financing activities was Rs. 811.48 crore. We raised Rs. 2,217.90 crore of new borrowings, consisting principally of domestic term loans of Rs. 2,175.10 crore and Rs. 42.80 crore of foreign borrowings. We received Rs. 645.88 crore from the GoI towards share capital and also received a capital grant from the government of Madhya Pradesh of Rs. 45.33 crore in respect of our consolidated Subsidiary towards fixed assets. We repaid Rs. 1,187.04 crore and paid interest and finance charges of Rs. 633.82 crore. In Fiscal 2007, we paid final dividends of Rs. 276.77 crore.

In Fiscal 2006, our net cash flow from financing activities was Rs. 577.50 crore. We raised Rs. 2,178.74 crore of new borrowings, consisting principally of domestic term loans of Rs. 1,629.75

crore and Rs. 548.99 crore of foreign borrowings. We received Rs. 642.82 crore from the GoI towards share capital and also received a capital grant from the government of Madhya Pradesh of Rs. 287.28 crore in respect of our consolidated Subsidiary towards fixed assets. We repaid Rs. 1,742.30 crore and paid interest of Rs. 620.62 crore. In Fiscal 2006, we paid final dividends of Rs. 168.42 crore.

Assets

(Rs. in crore)

	As of March 31			
	2008	2007	2006	2005
Fixed assets	30,906.41	28,132.07	25,013.39	22,632.17
Investments	2,046.79	2,320.33	2,576.78	2,576.78
Interest Accrued on Investments	91.91	103.54	113.85	164.43
Inventories	42.75	47.12	52.47	51.68
Contract Work-in-Progress	699.46	279.97	97.07	42.87
Sundry Debtors	904.58	909.88	594.94	676.96
Cash and Bank Balances	2345.87	816.29	892.78	973.55
Other Current Assets	236.21	186.18	158.85	113.09
Loans and Advances	857.56	463.49	422.77	409.41
Total assets	5,178.34	2,806.47	2,332.73	2,431.99

Fixed Assets

Our total fixed assets after depreciation, defined as net fixed assets, were Rs. 23,541.23 crore, Rs. 13,904.97 crore, Rs. 14,032.60 crore and Rs. 11,864.13 crore as of March 31, 2008, 2007, 2006 and 2005, respectively. Our fixed assets consist of land, dams, tunnels, buildings, including power house buildings, plant and machinery, which is classified as generating plant and machinery and construction plant and machinery, office equipment, computers and intangible assets, such as software, furniture and fixtures and motor vehicles.

Net fixed asset value increased by 69.30% in Fiscal 2008 as compared to Fiscal 2007, decreased by 0.91% in Fiscal 2007 as compared to Fiscal 2006 and increased by 18.28% in Fiscal 2006 as compared to Fiscal 2005. Our net fixed assets have increased significantly from Fiscal 2005 to Fiscal 2008, since we have constructed a number of new projects, namely Indira Sagar, Dhauliganga, Dulhasti, Omkareshwar and Teesta V, along with the completion of certain infrastructure facilities in connection with projects under construction.

Investments

Investments are intended for long term and carried at cost. Our total investment was Rs. 2,046.79 crore, Rs. 2,320.33 crore, Rs. 2,576.78 crore and Rs. 2,576.78 crore as of March 31, 2008, 2007, 2006 and 2005. We have invested in the equity shares of two listed companies, Indian Overseas Bank Limited and PTC India Limited. As of March 31, 2008, 2007, 2006, and 2005, our investments in these entities amounted to Rs. 12.36 crore.

Bonds received pursuant to the One Time Settlement are also accounted for as investments. As of March 31, 2008, 2007, 2006, and 2005, these investments amounted to Rs. 2,034.43 crore, Rs. 2,307.97 crore, Rs. 2,564.42 crore and Rs. 2,564.42 crore, respectively. These figures show our investments on a restated basis, and thus the investments were deemed to have been received from the date of issue of the bonds, which is October 1, 2001.

Interest Accrued on Investments

Interest accrued on investments was valued at Rs. 91.91 crore, Rs. 103.54 crore, Rs. 113.85 crore and Rs. 164.43 crore as of March 31, 2008, 2007, 2006 and 2005, respectively.

Our interest accrued on investments decreased by 11.23% in Fiscal 2008 as compared to Fiscal 2007, by 9.06% in Fiscal 2007 as compared to Fiscal 2006 and by 30.76% in Fiscal 2006 as compared to Fiscal 2005. These decreases are mainly due to redemption of power bonds.

Inventories

Inventories are valued at cost after providing for obsolescence. Work-in-progress is valued at cost including related overheads. Our management has valued our inventories based on the physical verification of stock. Our inventories were valued at Rs. 42.75 crore, Rs. 47.12 crore, Rs. 52.47 crore and Rs. 51.68 crore as of March 31, 2008, 2007, 2006 and 2005, respectively. The major portion of our inventories consists of spares for construction plant and machinery and generating plant and machinery.

Our inventories decreased by 9.27% in Fiscal 2008 as compared to Fiscal 2007, decreased by 10.20% in Fiscal 2007 as compared to Fiscal 2006 and increased by 1.52% in Fiscal 2006 as compared to Fiscal 2005.

Contract Work-in-Progress

Our contract works-in-progress as of March 31, 2008, 2007, 2006 and 2005 were Rs. 699.46 crore, Rs. 279.97 crore, Rs. 97.07 crore and Rs. 42.87 crore, respectively.

Our contract works in progress have steadily increased from Fiscal 2005 to Fiscal 2008. This is due to the execution of work in respect of our construction contracts pursuant to the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure.

Sundry Debtors

Sundry debtors consist of receivables relating to sale of electricity. The sundry debtors as of March 31, 2008, 2007, 2006 and 2005 were Rs. 904.58 crore, Rs. 909.88 crore, Rs. 594.94 crore and Rs. 676.96 crore, respectively.

The sundry debtors decreased by 0.58% in Fiscal 2008 as compared to Fiscal 2007, increased by 52.94% in Fiscal 2007 as compared to Fiscal 2006 and decreased by 12.12% in Fiscal 2006 as compared to Fiscal 2005. The fluctuation in Fiscal 2007 is mainly due to the retrospective bookings of sales in respect of the Indira Sagar power station.

Loans and Advances

Our total loans and advances as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 857.56 crore, Rs. 463.49 crore, Rs. 422.77 crore and Rs. 409.41 crore. Loans and advances include advance income tax, advances to our employees, contractors and suppliers.

Loans and advances increased by 85.02% in Fiscal 2008 as compared to Fiscal 2007, by 9.63% in Fiscal 2007 as compared to Fiscal 2006 and by 3.26% in Fiscal 2006 as compared to Fiscal 2005. These increases are mainly due to (i) an increase in payments of advance income tax, corresponding to our increased revenue, (ii) advances to the government of Arunachal Pradesh in

consideration of the MoA for the Dibang multipurpose project and the Tawang Basin projects in Fiscal 2008, (iii) advances to employees, and (iv) on account of exchange differences receivable on an accrual basis.

Cash and Bank Balances

Our cash and bank balances as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 2,345.87 crore, Rs. 816.29 crore, Rs. 892.78 crore and Rs. 973.55 crore.

Our cash and bank balances consist of (i) cash surplus as on the balance sheet date in our current account and short term deposits and (ii) the unspent advances received from government entities in respect of start up costs associated with the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure.

Other Current Assets

Our other current assets for as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 236.21 crore, Rs. 186.18 crore, Rs. 158.85 crore and Rs. 113.09 crore. Other current assets increased by 26.87% in Fiscal 2008 as compared to Fiscal 2007, by 17.21% in Fiscal 2007 as compared to Fiscal 2006 and by 40.47% in Fiscal 2006 as compared to Fiscal 2005. These fluctuations are mainly due to movement in (i) claims recoverable from other agencies, including contractors and insurance agencies, and (ii) interest accrued on deposits.

Liabilities and Provisions

(Rs. in crore)

	As of March 31			
	2008	2007	2006	2005
Secured Loans	9,902.65	7,562.63	6,138.24	5,504.26
Unsecured Loans	2,952.84	2,909.16	3,343.19	3,641.79
Income Received on Account of Advance against Depreciation	1,303.26	1,245.98	1,049.49	999.99
Current Liabilities & Provisions	3,771.83	2,415.43	1,778.47	1,513.14
Minority Interest	1,375.57	1,242.58	1,130.99	1,006.39
Total liabilities and Provisions	19,306.15	15,375.78	13,440.38	12,665.57

Secured Loans

Our secured loans for as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 9,902.65 crore, Rs. 7,562.63 crore, Rs. 6,138.24 crore and Rs. 5,504.26 crore. Secured loans include borrowings from domestic banks and financial institutions along with corporate bonds raised in the capital markets that are secured against assets of the company. Due to increased investment in new projects during the last four years, our borrowings have increased proportionately.

Secured loans increased by 30.94% in Fiscal 2008 as compared to Fiscal 2007, by 23.21% in Fiscal 2007 as compared to Fiscal 2006 and by 11.52% in Fiscal 2006 as compared to Fiscal 2005.

Unsecured Loans

Our unsecured loans for as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 2,952.84 crore, Rs. 2,909.16 crore, Rs. 3,343.19 crore and Rs. 3,641.79 crore. Unsecured loans include borrowings from domestic and foreign banks and financial institutions that have not been secured by any assets of the Company.

Unsecured loans increased by 1.50% in Fiscal 2008 as compared to Fiscal 2007, decreased by 12.98% in Fiscal 2007 as compared to Fiscal 2006 and decreased by 8.20% in Fiscal 2006 as compared to Fiscal 2005.

Income Received on Account of Advance against Depreciation

Our income received on account of advance against depreciation as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 1,303.26 crore, Rs. 1,245.98 crore, Rs. 1,049.49 crore and Rs. 999.99 crore. Income received on account of advance against depreciation is given as a component of tariff in the initial years of the operation of a station to facilitate the repayment of loans in respect of that station. Advance against depreciation is reduced from sales and considered as deferred income to be included in sales in subsequent years. Advances against depreciation are impacted by the amount of loans repaid in respect of each power station.

Current Liabilities and provisions

Our current liabilities and provisions as of March 31, 2008, 2007, 2006 and 2005, respectively, were Rs. 3,771.83 crore, Rs. 2,415.43 crore, Rs. 1,778.47 crore and Rs. 1,513.14 crore. Our current liabilities and provisions include sundry creditors, advances from contractees, security deposits, retention money withheld by us and other liabilities.

Current liabilities and provisions increased by 56.16% in Fiscal 2008 as compared to Fiscal 2007, by 35.82% in Fiscal 2007 as compared to Fiscal 2006 and by 17.54% in Fiscal 2006 as compared to Fiscal 2005. These fluctuations are mainly due to (i) changes in provisions for actuarial valuation of retirement benefits due to variations in the age profile of our employees and wage revision, committed capital expenditure and advances received against works performed in respect of the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our consolidated contingent liabilities as of Fiscal 2008, 2007, 2006 and 2005.

(Rs. in crore)

Particulars	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Claims against the Company not acknowledged as debts in respect of				
Capital Works	3,328.53	1,929.42	1,354.20	1,009.40
Land Compensation Cases	84.48	132.52	152.05	51.44
Other	354.44	354.12	488.58	587.41
Disputed Income Tax, Demand, Excise and Sales Tax	2,045.53	2,055.53	2,090.19	2,109.47
Total	5,812.98	4,471.59	4,085.02	3,757.72

Contingent liabilities increased from Rs. 3,757.72 crore as of March 31, 2005 to Rs. 4,085.02 crore as of March 31, 2006 and to Rs. 4,471.59 crore as of March 31, 2007 and further to Rs. 5,812.98 crore. The main reason for the increase in contingent liabilities in Fiscal 2008 was on account of claims of contractors at various projects under construction.

Capital Expenditures

Our capital expenditures are primarily for installation of new capacity and expansion of existing capacity. Our consolidated capital expenditures in Fiscal 2008, 2007, 2006 and 2005 were Rs. 3,333.10 crore, Rs. 3,486.09 crore, Rs. 2,724.26 crore and Rs. 3,588.32 crore, respectively. In Fiscal 2008, GoI approved a budget estimate of Rs. 4,385 crore for the Company for Fiscal 2009 and approved a budget of Rs. 259.01 crore for our Subsidiary for Fiscal 2009. We expect that this capital expenditure will be used mainly for our ongoing projects. Although our capital expenditure budgets for Fiscal 2010 and 2011 are not yet determined, they may be significantly higher than for Fiscal 2009 due to our planned expansion.

For a further discussion of our planned additions to our installed capacity, see **“Our Business - Our Strategy”** on page 74. Our capital expenditure budgets are subject to modification as a result of a variety of factors, including availability of internal and external resources, changes to expansion plans and other factors.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist principally of the following, as of March 31, 2008, classified by maturity:

(Rs. in crore)

Payment by period	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Beyond 2014	Total
Long term debt	759.70	1,088.02	1,059.87	1,035.36	1,153.52	1,319.89	6,439.13	12,855.49

Currency Exchange Rates

While our principal revenues are in Rupees, we have borrowed funds from outside India in foreign currencies, primarily JPY, € and U.S.\$\$. Principal and interest charges on these borrowings are denominated in the balance sheet in Rupees. As of March 31, 2008, we had Rs. 2,952.84 crore equivalent of foreign currency borrowings outstanding.

As of March 31, 2008, we had one hedging agreement in place in respect of a foreign currency loan of JPY 534.70 crore. This agreement covers interest charges on the due dates being January 9 and July 9 each year, and the possible repayment of the principal on January 9, 2009, the end of the five year term.

Under the tariff regulations for Fiscal 2005-2009, fluctuations in exchange rates for offshore borrowings are recoverable through our tariffs on a year-to-year basis on account of additional rupee liability in respect of interest and repayment of principal. However, we cannot assure you that future changes to the tariff regulations or to the GoI's tariff policy will allow us to recover such fluctuations through our tariffs. If as a result of future changes in tariff regulations we cannot recover foreign exchange fluctuations through our tariffs, we may be required to use further hedging arrangements, which may not fully protect us from foreign exchange exposure.

Interest Rates

Under the current tariff regulations, interest costs are recoverable through our tariffs. Recovery of interest is based on norms fixed by the CERC. The majority of our long term borrowings are fixed interest rate borrowings and therefore we do not hedge against interest rate fluctuations.

SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2008 THAT MAY AFFECT THE FUTURE OF OUR OPERATIONS

Since March 31, 2008, 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 Fiscal periods:

- The implementation of the Sixth Pay Commission report in respect of central government employees, as well as the Pay Committee review for public sector employees, is expected in Fiscal 2009. Subject to acceptance of the recommendations of the Sixth Pay Commission and the recommendation of Pay Committee by the GoI, certain salary increases are expected to be effective from January 2006 for employees on CDA pattern, and from January 2007 for employees employed on IDA pattern, respectively. In addition, the Pay Committee has recommended that all public sector undertakings should formulate an employees' stock option plan ("ESOP") and 10% to 25% of the PRP should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify. For further information, see "*Risk Factors – The recommendations of the Sixth Pay Commission and the Pay Committee will increase our expenses, which could adversely affect our financial condition in the years of implementation*" on page xviii; and
- We were designated as a Mini-Ratna Category-I public sector undertaking in April 2008. As a Mini-Ratna Category-I entity, we will have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI.

Analysis of Certain Changes

Unusual or Infrequent events or transactions

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items and fixed assets in this section.

Significant economic changes

Since Fiscal 2003, a decline in interest rates and inflation has allowed us to restructure our loans to take advantage of the more attractive interest rate environment to reduce our borrowing costs. Furthermore, there has been a significant increase in funds available for loan financing in the Indian financial system, which lead to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing. These economic events have resulted in reduced interest cost to us during this period.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified in "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting our Results of Operations*" on page 251 and the uncertainties described in "*Risk Factors*" on page xii. To our knowledge, except as we have described in this

Draft Red Herring Prospectus, there are no other 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***” on pages xii, 72 and 251, respectively, to the best of our knowledge, 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 currently have a number of projects that we anticipate will be commissioned over the forthcoming years that will add to our generation capacity and increase our revenues, as described in “***Our Business***” on page 72.

Significant regulatory changes

Except as described in “***Regulations and Policies in India***” on page 103, there have been no significant regulatory changes that could affect our income from continuing operations.

New products or business segments

We have no current plans to develop new products or establish any new business segments.

Seasonality of Business

Our generation depends on level of water in different periods during the year. During the Indian monsoon periods, from June to September, the generation is generally high as water is available for full capacity at our power stations.

Dependence on few customers

As described above in “***-Revenues***”, in Fiscal 2008 we derived Rs. 2,958.20 crore or 99.75% of our consolidated revenue from sales of energy to SEBs and their successor entities. Our sales of electricity are made pursuant to long term PPAs, which run for an initial term of five years. The agreements are typically renewed or extended after the initial term expires. All our existing facilities have PPAs that cover 100% of their generating capacity. Although electricity generation capacity has increased significantly in recent years, the demand for electricity in India is still substantially higher than the available supply. As a result, we have not had difficulty entering into PPAs to cover our capacity and do not expect such difficulty in the near future.

Competitive conditions

We expect competition to increase in the power generation sector due to, among other things, the increase of new participants, as described in “***Risk Factors***” on page xii.

SECTION VI – LEGAL AND OTHER INFORMATION OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, including suits, criminal or civil prosecutions and taxation related proceedings against our Company, our Directors and our Subsidiary, that would have a material adverse effect on our business. Further, there are no defaults, non-payment of statutory dues including, institutional or 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 our Company, our Directors and our Subsidiary.

Set forth below are summaries of criminal cases, public interest litigations, environmental cases, regulatory cases and tax related proceedings against our Company. Further, all significant proceedings (civil cases and arbitration proceedings) involving our Company, i.e., all such proceedings involving claims exceeding a monetary value of Rs. 0.25 crore are detailed below. In addition, details of land related litigation for enhancement of compensation and motor accident claims have been disclosed in a clubbed manner. Further, summaries of all significant labour cases against the Company have been disclosed.

1. Litigation against our Company:

A. CONTINGENT LIABILITIES NOT PROVIDED FOR AS OF MARCH 31, 2008 AS PER OUR RESTAED CONSOLIDATED FINANCIAL STATEMENTS

<i>(Rs. in crore)</i>		
S. No.	Details	Amount
	Claims against our Company not acknowledged as debts in respect of:	
1.	Capital Works	3,328.53
2.	Land Compensation Cases	84.48
3.	Other	354.44
4.	Disputed Income Tax Demand, Excise and Sales Tax	2,045.53
	Total	5,812.98

B. PENDING LITIGATION FILED AGAINST OUR COMPANY

Criminal Cases

There are four criminal proceedings against our Company. The financial implication amounts to Rs. 0.59 crore. They are as follows.

- (a) The Sub-divisional Magistrate, Chamba has issued a notice to our Company under section 133 of the Code of Criminal Procedure (“Cr.P.C.”) for removal of debris gathered from construction work at our various sites of Chamera –III hydroelectric project and alleging that the debris had not been disposed in a proper manner and that it has been spilling from the site and is getting collected at the river bed, creating a nuisance. The matter is presently pending adjudication.
- (b) The Police Department of the State of Himachal Pradesh has filed an application/petition under section 16 and 14 of Himachal Pradesh Police Act, 1861 read with Section 421 and 422 Cr.P.C. for recovery of leave salary and pension contribution amounting to Rs. 0.59 crore up to March 31, 2003 from our Company, in respect of police personnel deployed for security at the Chamera power station. Our Company has filed a reply and has argued that the alleged claim is payable only if the employees are on foreign services. The case is currently pending before the District Magistrate, Chamba, Himachal Pradesh.

- (c) Traders Association, Barshaini Manikaran, has filed a complaint against us, on the grounds that due to the plying of the vehicle carrying construction material for Parbati hydroelectric project- Stage II is causing nuisance in the village Barshaini. Consequently, a notice (No. 2453) dated December 26, 2007, has been issued under section 133 Cr.P.C by the Sub- Divisional Magistrate, Kullu against the General Manager of the Project requiring him to stop causing such nuisance. The matter is currently pending.
- (d) Labour Enforcement Officer (Central) (“**Labour Officer**”), Siliguri has filed a complaint against us before the Additional Chief Judicial Magistrate, Kalimpong, under section 23 and 24 of the CLRA, 1970 and CLRR, 1971, alleging the violation and non-compliance of the provisions of the same. The Chief Judicial Magistrate took cognizance of the complaint and registered the case (No. CR 02 of 2008). The Labour Officer has alleged, *inter alia*, that we had employed labourers at the Teesta Low Dam IV without obtaining the certificate of registration and the register of the contractors was not maintained in compliance with Rule 74. The Labour Officer has further alleged that we had failed to submit the annual return of the number of labourers engaged from various contractors for the year 2006 and has prayed that the court may take cognizance of the case and award a part of the fine imposed towards expenses incurred by the department for conducting the prosecution under section 357(1) of the Cr.P.C and the amount awarded may be credited to the central head of accounts (Revenue and Receipt – 0230 – receipt under labour laws – pay and accounts officer (Chief Labour Commissioner (“**CLC**”)), Ministry of Labour and Employment, GoI). Our Company has filed a petition before the CLC (Central) dated February 8, 2008 praying for the disposal of the complaint and agreed to pay the departmental costs and compensation as may be decided by the CLC, New Delhi. A summon dated June 25, 2008 has been received by us. The case is currently pending.

Public Interest Litigation

There are three public interest litigations pending before various High Courts against our Company, the details of which are set forth below.

- (a) Mr. D.S. Patiyal has filed a writ petition (WP (S/S) 1179 of 2003) dated December 21, 2003 in the Uttarakhand High Court, for issuance of a writ of mandamus to direct the State government to immediately stop illegal mining activities at Dhauliganga hydroelectric project, by our Company, Kazima Daweoo, a contractor of our Company, and the Union of India. Mr. D.S. Patiyal has further prayed for a direction to the respondents, including our Company, to make up for the destruction caused by them to the region. No monetary claim against our Company has been quantified. The case is currently pending in the Uttarakhand High Court.
- (b) The Integrated Joint Farming Committee, a registered society, has filed a writ petition (No.1026 of 2001) in the Guwahati High Court, praying for a direction to be issued to our Company to pay adequate compensation to the land owners affected by the Loktak hydroelectric project. The Guwahati High Court, by its order dated March 15, 2005 had directed our Company and others, to hold an inquiry within three months to assess the damage alleged to be caused due to the project. Further, the Integrated Joint Farming Committee has also filed a contempt proceeding (No. 182 of 2006) in the Guwahati High Court against our Company and others on the ground that the directions of the Guwahati High Court were not complied with during the stipulated timeframe. No monetary claim against our Company has been quantified. The case is currently pending in the Uttarakhand High Court.
- (c) Mr. Jhunjhunwala has filed a writ petition (No. 211 of 2008) in March 2008, before the High Court of Uttarakhand, Nainital against our Company, alleging that the Company has misrepresented that Kotli Bhel IA, Kotli Bhel IB and Kotli Bhel Stage II projects, under

construction as purely ROR and that they shall be operated continuously without disturbing the flow at confluence at Dev Prayag river. Mr. Jhunjhunwala has prayed for issuance of directions to our Company to stop construction of these projects. The matter is currently pending.

Environmental Litigation

There are six environment-related proceedings pending against our Company. The details of the proceedings are set forth below.

- (a) The State of Arunachal Pradesh has filed an application (No.1362 of 2004) for modification of the Supreme Court's order dated April 19, 2004 in interim application (No. 966 and 1012 of 2003), that upheld the MoEFs permission to our Company for the Lower Subansiri hydroelectric project by the MoEF, subject to the fulfilment of certain conditions mentioned in the said order. Aggrieved by the order, the State government of Arunachal Pradesh filed the above mentioned application on the ground that the said order was passed without notice to the State and without affording an opportunity of being heard. The State of Arunachal Pradesh has further challenged and sought modifications to the imposition of the condition that the reserve forest area that forms part of the catchments of the Lower Subansiri hydroelectric projects including the reservoir should be declared as a National Park/Sanctuary and that there would be no construction of a dam upstream of the Subansiri river in future, and has sought modification of the above order. The Supreme Court, by its order dated July 21, 2006, has referred the matter to the Standing Committee of the National Board of Wildlife, which has submitted its report on the matter. Our Company has submitted its position concerning the Subansiri Group basin projects. The matter is currently pending in the Supreme Court.
- (b) Mr. Shiba Sunawar has filed a petition (No. 835 of 2005) before the Central Empowered Committee constituted by the Supreme Court (comprising members appointed by the Supreme Court), with respect to the Teesta - V hydroelectric project in the State of Sikkim alleging that our Company had violated the environmental and forest laws in general and conditions of clearance given by MoEF in particular. He has prayed for action to be taken against our Company for wilful violation of the FCA and the EPA. He has also prayed for a direction that all illegal use of forest land be stopped immediately and the forest land be restored in accordance with the polluter pays principle. The matter is currently pending.
- (c) Mr. Ravinder Kumar has filed a writ petition (No. 926 of 2006) in the Delhi High Court, praying for issuance of an appropriate writ or direction quashing the order dated July 25, 2005 of the National Environment Appellate Authority ("NEAA") in (Appeal No. 4 of 2005) and the order of the MoEF dated March 11, 2005 granting clearance for Siyom hydroelectric project. Mr. Ravinder Kumar has alleged, *inter alia*, that total disregard has been shown by our Company to the procedures stipulated in the EIA Notification, 1994. The matter is currently pending.
- (d) Mr. Vimal Bhai and others have filed an appeal in the NEAA, New Delhi (Appeal No. 10 of 2007) against an order of the MoEF dated August 23, 2007 that granted environmental clearance for setting up the Kotlibhel hydroelectric power project, Stage IB (530 MW) in the District of Pauri and Garhwal of Uttarakhand to our Company and have prayed before the NEAA to stay the clearance granted on the ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. The matter is currently pending.
- (e) Dr. Bharat Jhunjhunwala and others have filed an appeal before the NEAA, New Delhi (Appeal No. 9 of 2007) against an order of the MoEF dated August 14, 2007 which

granted environmental clearance for setting up the Kotlibhel hydroelectric power project, Stage II (320 MW) in the District of Pauri and Garhwal of Uttarakhand to our Company and have prayed before the NEAA to stay the clearance granted on the ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. The matter is currently pending.

- (f) Mr. Vimal Bhai and others have filed an appeal before the NEAA, New Delhi (Appeal No. 8 of 2007) against an order of the MoEF dated May 9, 2007 which granted environmental clearance for setting up the Kotlibhel hydroelectric power project, Stage I-A (195 MW) in the District of Pauri and Garhwal of Uttarakhand to our Company and have prayed before the NEAA to stay the clearance granted on the ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. The matter is currently pending.

CERC related proceedings

There are two proceedings pending before the CERC that have been filed against our Company in relation to tariff orders issued for some of our power stations. The details of the proceedings are set forth below.

- (a) Our Company has been impleaded as a respondent in an appeal (SLP Civil No. 2875 of 2007) in the Supreme Court filed by NTPC against an order dated December 21, 2000 passed by the CERC and the order dated December 6, 2006 of the Appellate Tribunal for Electricity whereby challenging the terms and conditions of the tariff regulations, 2001 and various orders dated December 15, 2000 and the availability based tariff (“**ABT**”) order dated January 4, 2000 for thermal stations and hydro generating stations being determined. NTPC has prayed for, *inter alia*, a direction to the effect that all the norms and parameters applicable to NTPC on tariff matters shall be at par with those applicable to thermal generating stations of independent power producers, licensees, undertakings owned or controlled by the state/central government and the SEB and others as notified by the GoI and against the Appellate Tribunal finding that it has no power under appeal to quash the order of regulation formulated by CERC. The matter is currently pending adjudication.
- (b) Our Company has been impleaded as a party in an appeal (No. 2166 of 2007) filed by NTPC against the Transmission Corporation of Andhra Pradesh Limited and others, in the Supreme Court of India challenging the order of the Appellate Tribunal for Electricity dated January 4, 2007 in an appeal (95 of 2005) whereby the Appellate Tribunal held that it had no jurisdiction to adjudicate on the issue of questioning the legal validity of the regulations framed by the CERC. The matter is currently pending.

Income Tax proceedings

- (a) In relation to the financial years 1997-98, 2000-01 to 2004-05, our Company has declared nil income for the purposes of computation of income tax pursuant to Section 28(1) of the Income Tax Act (“**IT Act**”) as our Company carried “unabsorbed depreciation/losses”. However, the Income Tax Department (“**IT Department**”) has raised a demand of approximately Rs. 90.70 crore against our Company under Section 115JB of the IT Act under the head of Minimum Alternate Tax (“**MAT**”). This has resulted in an increase in the total income tax liability of our Company from Rs 207.20 crore to Rs. 297.90 crore. Our Company has paid the above-mentioned additional tax liability under protest, however, the CIT (Appeals), Faridabad has allowed relief of Rs. 39.05 crore for which refund order is still awaited. Our Company is contesting the claim of the Department. The claim of the Department has arisen as a result of the following significant issues:

- **Disallowance of difference in depreciation under Section 32 of the IT Act, on hydraulic works:** The Department has held that dams and tunnels are not “plant and machinery” and classified them as “buildings” and as such eligible for depreciation allowable for building. The amount was added for the purpose of calculating normal income under Section 28(1) of the IT Act.
- **Advance against depreciation:** Advance against depreciation was added by the Department both for the purposes of computing normal income under Section 28(1) as well as for the computation of book profits under Section 115JB of the IT Act for the purposes of calculating MAT.
- **Claim of tax free interest income on tax free power bonds:** The Department has rejected our Company’s claim for tax free bond income and a reduction on account of interest income from tax free power bonds. The amount was added by the Department both for the purpose of normal income under Section 28(1) as well as for computation of book profits under Section 115JB of the IT Act for the purposes of calculating MAT.
- **Employee provisions:** The Department has added employee provisions for gratuity, leave encashment and retired employees’ health scheme in the book profits for computation of MAT under Section 115JB of the IT Act.
- **Development surcharge:** The Department has added the amount of development surcharge received from beneficiaries which was to be used for new capacity addition for the purpose of computing normal income under Section 28(1) as well as for computation of book profits under Section 115JB of the IT Act.
- **Provision for doubtful debts:** The Department has added the amount of provision for doubtful debts in the book profits of our Company for computation of MAT under Section 115JB of the IT Act.
- **Depreciation on land unclassified and leasehold land:** The Department has added the amount of depreciation on land unclassified and leasehold land in the book profits for computation of MAT under Section 115JB of the IT Act.
- **Provision for Tariff Adjustment:** The Department has added the amount of provision for tariff adjustment for the purpose of computing the normal income under section 28(1) as well as for computation of book profits under section 115 JB of the IT Act.
- **Prior Period Adjustment (Net):** The Department has added the amount of Prior Period Adjustment (Net) for the purpose of computing the normal income under section 28(1) of the IT Act.
- **Non Billing of Foreign Exchange Rate Variation (“FERV”) to beneficiaries:** The Department has added the amount of non billing of FERV to beneficiaries which was billed in the next financial year for the purpose of computing the normal income under section 28(1) as well as for computation of book profits under section 115 JB of the IT Act.
- **Provision for Doubtful claims and advances, obsolesce in inventories and claims recoverable from PGCIL:** The Department has added these provisions in the book profits of our Company for computation of MAT under section 115 JB of the IT Act.

- **Depreciation on exchange rate variation:** The Department has disallowed the depreciation on increase in liability due to exchange rate variation. The amount was added for the purpose of computation of normal income under Section 28(1) of the IT Act.
- (b) Further, due to the above variations in computations of normal income and income under Section 115JB of the IT Act, the IT Department has imposed a tax liability on our Company as detailed below. The details, Financial Year wise, are set forth below:

Financial year 2004-05: The IT Department has imposed an additional liability of Rs. 14.38 crore on our Company. Further, our Company deposited a tax liability of Rs. 10.33 crore on amount of advance against depreciation consequent upon the ruling of Authority for Advance Rulings (“AAR”). Our Company has paid the additional liability of Rs. 14.38 crore in the protest and there is currently no outstanding liability against our Company. Our Company has filed an appeal against the assessment order before the Commissioner of Income Tax (Appeals), Faridabad, who has allowed a relief of Rs. 14.38 crore. The refund order for the same is awaited. For the amount of Rs. 10.33 crore pertaining to advance against depreciation, our Company has filed a special leave petition in the Supreme Court against the order of Authority for Advance Rulings.

Financial Year 2003-04: The Department has imposed an additional liability of Rs. 11.72 crore on our Company. Further, our Company deposited a tax liability of Rs. 10.63 crore on amount of advance against depreciation consequent upon Ruling of Authority for AAR. Our Company has paid the additional liability of Rs. 11.72 crore under protest and there is currently no outstanding liability against our Company. Our Company has filed an appeal against the assessment order before the Commissioner of Income Tax (Appeals), Faridabad and he allowed a relief of Rs. 11.72 crore. The Refund Order for the same is awaited. For the amount of Rs. 10.63 crore pertaining to the advance against depreciation, our Company has filed a special leave petition in the Supreme Court against the order of Authority for Advance Rulings.

Financial Year 2002-03: The Department has imposed additional liability of Rs. 25.03 crore (after adjusting our claim of Rs. 3.00 crore pertaining to reduction in tax free bond, income for which our Company is also in appeal in financial year 2001-02) on our Company, including advance against depreciation, consequent upon Ruling of Authority for AAR. Our Company has paid the additional liability of Rs. 25.03 crore under protest and there is currently no outstanding liability against our Company. Our Company has filed an appeal against the assessment order before the Commissioner of Income Tax (Appeals), Faridabad and he allowed a relief of Rs. 12.95 crore. The Refund Order for the same is awaited. For the amount of Rs. 15.08 crore pertaining to the advance against depreciation, our Company has filed a special leave petition in the Supreme Court against the order of Authority for Advance Rulings.

Financial Year 2001-02: The Department has imposed additional liability of Rs. 22.68 crore on our Company, consequent upon Ruling of Authority for AAR, that the amount of advance against depreciation is to be included for the computation of book profit under section 115 JB of IT Act in the year of receipt. Our Company has paid the additional liability of Rs. 22.68 crore under protest and there is currently no outstanding liability against our Company. Our Company has filed an appeal against the order of Commissioner of Income Tax (Appeals), Faridabad before the Income Tax Appellate Tribunal, Delhi against the demand of Rs. 11.12 crore and the matter is pending adjudication. For the amount of Rs. 11.56 crore pertaining to the advance against depreciation, our Company has filed a special leave petition in the Supreme Court against the order of Authority for Advance Rulings.

Financial Year 2000-01: The Department has imposed additional liability of Rs. 16.89 crore on our Company, consequent upon Ruling of Authority for AAR, that the amount of advance against depreciation is to be included for the computation of book profit under section 115 JB of IT Act in the year of receipt. Our Company has paid the additional liability of Rs. 16.89 crore under protest and there is currently no outstanding liability against our Company. Our Company has filed a special leave petition in the Supreme Court against the order of Authority for Advance Rulings.

Financial Year 1997-98: The Department vide its assessment order dated March 7, 2001, *inter alia*, disallowed our claim of Rs. 5.86 crore on account of capitalisation of increase in liability due to exchange rate variations. Aggrieved by the order of the Department, our Company filed an appeal (11/2001-02) before the CIT (Appeals)-XVI, New Delhi to set aside the various disallowances made vide the impugned order. The CIT(Appeals)- XVI, New Delhi vide its order dated November 18, 2002 partly allowed our appeal including holding the issue of allowance of depreciation on capitalisation of liability due to exchange rate variations in our favour. Aggrieved by the order of the CIT (Appeals)-XVI, New Delhi, the Department filed an appeal (1496/Del/2003) before the Income Tax Appellate Tribunal, New Delhi, which was dismissed vide order dated October 27, 2004. The Department has filed an appeal (274/2006) in the Punjab and Haryana High Court at Chandigarh to set aside the aforesaid order. The case is currently pending.

- (c) In the matter of advance against depreciation, our Company had approached the Authority for AAR, asking for an advance ruling on whether advance against depreciation is required to be included for the computation of book profit under Section 115JB of the IT Act in the year of receipt or in the year to which the depreciation relates. The AAR, through its order dated December 17, 2004, ruled that the amount of advance against depreciation is to be included for the computation of book profit under Section 115JB of IT Act in the year of receipt. Our Company has filed a special leave petition in the Supreme Court against this order.
- (d) Our Company had also filed applications before the Chief Commissioner of Income-tax, Panchkula, Haryana, for waiver of interest of Rs. 17.50 crore under Section 234B, 234C, 234D and 220(2) of the IT Act on additional tax demand for the assessment years 2001-02 to 2005-06 arising out of the above decision of the AAR on advance against depreciation. The CCIT, through its order dated February 17, 2006, dismissed our application for waiver of interest. Our Company has filed a writ petition in the Punjab and Haryana High Court, praying for a writ of *certiorari* quashing the CCIT order.

Other Proceedings Relating To Tax and Statutory Charges

Details of proceedings relating to tax and statutory charges, (exclusive of the income tax proceedings described above) involving our Company are profiled below. There are 18 cases pending with respect to the above with an aggregate liability of approximately Rs. 167.56 crore, plus interest. The details of the proceedings are set forth below.

- (a) Our Company had filed a writ petition (No.41 of 2000) in the Guwahati High Court against the order dated February 23, 2000 in relation to the imposition of sales tax on the supply of the electricity to the states of Nagaland and Assam. The Guwahati High Court has partly allowed the writ petition and given our Company the liberty to make representations before the appropriate authority of the State government for consideration of waiver of said sales tax. Our Company has subsequently challenged the Guwahati High Court's order through a letters patent appeal before a Division Bench in the Guwahati High Court. The matter is pending for final argument. The amount involved in the proceeding is Rs. 71.21 crore.

- (b) The Assessing Authority, Sopore, had passed an order against our Company and issued demand notice for the payment for Rs. 15.94 crore as sales tax for the accounting year 1995-96. The aforesaid order was challenged before the Deputy Sales Tax Commissioner (Appeals), Srinagar. The Deputy Sales Tax Commissioner (Appeals), Srinagar has set aside the impugned order and remanded back the case to its original jurisdiction for fresh assessment. Our Company has filed an appeal against the aforesaid order passed by Deputy Sales Tax Commissioner (Appeals) before the Jammu and Kashmir Sales Tax (Appellate) Tribunal, Srinagar. The matter is currently pending.
- (c) The Assessing Authority, Sopore, had passed an order against our Company and issued a demand notice for payment of Rs. 0.87 crore as sales tax for the accounting year 1996-97. Our Company challenged the aforesaid order before the Sales Tax Commissioner (Appeals), who dismissed the appeal through his order dated May 14, 2003. Our Company has filed an appeal against the aforesaid order before the Jammu and Kashmir Sales Tax Appellate Tribunal.
- (d) Our Company has filed an appeal dated October 24, 2000 before the Deputy Sales Tax Commissioner (Appeals) against the order in demand notice (No. 1812) dated March 6, 1999 of the Assessing Authority, Sopore, which issued a demand notice for the payment of Rs. 75.55 crore as sales tax for the accounting year 1994-95. The aforesaid order was challenged before the Deputy Sales Tax Commissioner (Appeals), Srinagar. The Appellate authority has set aside the impugned order and remanded back the case to its original jurisdiction for de nova assessment after affording an opportunity of being heard. Our Company has filed an appeal against the aforesaid order on the grounds that no sales tax is payable as per the Jammu & Kashmir Sales Tax Act for the goods purchased by our Company. The matter is currently pending.
- (e) The Commissioner, Commercial Tax has directed our Company to pay Rs. 0.16 crore as commercial tax. Our Company has challenged this order before the Trade Tax Officer, who has rejected the application filed by us vide order dated August 14, 2007. We have filed a second appeal before the Commercial Tax Tribunal, Haldwani challenging the said order. The matter is currently pending.
- (f) Our Company has filed a writ petition (CWP No. 2192 of 2004) in the Calcutta High Court against the Commissioner of Customs, the Assistant Commissioner of Customs, Commissioner of Customs (Appeals), Assistant Commissioner of Customs (Appraising), Customs Excise and Service Tax Appellate Tribunal and Union of India. Our Company has challenged the order dated July 14, 1987 of the Assistant Commissioner of Customs (Appraising) and the order dated September 23, 2002 of the Commissioner of Customs (Appeals), respectively, where the customs authorities had confirmed the bond of Rs. 0.26 crore along with interest, for non-compliance by our Company with the conditions stipulated for importing material for Loktak power station. Our Company has prayed for a writ of *mandamus* to be issued to the customs authorities against the confirmation.
- (g) The Commissioner, Commercial Tax, Haldwani, has directed our Company to pay approximately Rs. 0.27 crore as penalty for the assessment year 1990-01. Our Company has filed an appeal (No. 52 of 2006) before the Commercial Tax Tribunal, Haldwani against the order dated August 19, 2006 of the Commissioner, Commercial Tax.
- (h) Our Company has filed a writ petition (CWP 725 of 1998) in the Himachal Pradesh High Court challenging the validity of the Himachal Pradesh Goods Taxation (Amendment and Validation) Act, 1997 regarding levy of tax on the buses of our Company. The case is pending for hearing. The amount involved in the proceeding is Rs. 0.42 crore.

- (i) The sales tax assessing authority, Chamba had vide three separate notices (Nos. 55, 56 and 57 of 2007-08) dated December 27, 2007 and order dated January 17, 2008 raised an aggregate demand Rs. 2.50 crore while assessing the returns filed by the Chamera II power station in respect of sales tax including the deduction of the tax deducted on the work orders paid for the periods 2002-03, 2003-04 and 2004-05. Our Company has filed three separate appeals dated February 27, 2008 for each of the said assessment years against the Deputy Commissioner cum appellate authority, Palampur, Himachal Pradesh praying to quash the assessment orders and drop the proceedings against our Company. The next date of hearing for each of the appeals is July 11, 2008.
- (j) The Assistant Commissioner Trade Tax (Commercial), Tanakpur vide the order dated April 10, 2007 imposed a penalty Rs. 0.03 crore for the assessment year 2003-04 against our Company (Tanakpur Power Station). Our Company has filed an appeal (No. 142 of 2007) dated June 16, 2007 before the Commercial Tax Tribunal, Haldwani against the said order and deposited Rs. 0.01 crore (25% of the penalty imposed). The balance penalty pending is Rs. 0.02 crore. The matter is currently pending for hearing.
- (k) An appeal was filed by our Company before the Deputy Excise and Taxation Commissioner – cum- appellate authority, Palampur and others against the order dated December 18, 2005 passed by Assistant Excise and Taxation Commissioner (“AETC”), Chamba levying VAT amounting to Rs. 29,795 on medicines and electrical goods procured for the use of CPS-I and also a penalty of Rs. 45,205 alleging that the goods were not declared at Tunnu Hatti barrier. The aggregate penalty amounts to Rs. 0.08 crore. The appellate authority without considering the evidence dismissed the appeal and passed the order dated November 30, 2006 which was contrary to the evidence and facts of the case. Our Company has filed an appeal against the said order. The matter is currently pending for hearing.
- (l) Our Company has filed an appeal against the order dated December 22, 2005 passed by the Excise and Taxation officer, Chamba levying an additional VAT amounting to Rs. 14,000 on the grounds that the material in question was of commercial nature and was liable to tax under VAT Act, 2005. The said appeal was decided on November 30, 2006 and an intimation was sent by the appellate authority vide their letter dated December 12, 2006. Aggrieved by the order our Company filed the said appeal. The matter is currently pending for hearing.
- (m) Our Company has filed various appeals (No. 2/DCJ/AP/UIPT/2000-01) dated April 6, 2000, (No.11/DCJ/AP/UIPT/1999-2000) dated September 30, 1999, (No. 8/DCJ/AP/T/2002-03) dated December 18, 2002 and (No.19/DCJ/AP/T/2002-03) dated October 12, 2000 against the valuation of the property conducted by the Assessing Authority for the period of 1 April, 1991 to March 31, 1997 for the amount of 0.05 crore and for the period of April 1, 1997 to March 31, 2007 against demand of Rs. 0.15 crore aggregating an amount of Rs. 0.20 crore. Both the appeals are currently pending.
- (n) Our Company has filed an appeal dated December 11, 2006 against the imposition of the penalty amount to Rs. 0.03 crore demanded by the Assessing Authority, Khatima due to the delay in submission of the application for the non payment of Rs. 0.10 crore. The appeal has been filed before the Commissioner Tax Tribunal, Haldwani, Nainital. The matter is currently pending.
- (o) Our Company has filed an appeal dated July 1, 2003 before the Sales Tax Appellate Tribunal, Sri Nagar against the order dated April 2, 2003 of the Deputy Commissioner Sales Tax (Appeals) vide which the request of our Company for the recalling of the order to extend the date of depositing the asked amount had been dismissed. The matter is currently pending. The amount involved in the proceeding is Rs. 0.03 crore.

- (p) Our Company had procured certain goods for Teesta Low Dam project (Stage –III), for the purpose of generation and distribution of energy. The goods were to be used directly for the above mentioned purpose. The State of West Bengal has issued three demand notices dated December 30, 2004, June 12, 2005 and August 10, 2005 imposing tax of Rs. 0.05 crore under section 8 of West Bengal Sales Tax Act, 1994. Our Company had filed an application against the above mentioned notices and the West Bengal Taxation Tribunal, vide its order dated November 22, 2007 had stated that imposition of tax is *ultra vires* and the demand raised were to be set aside. The State of West Bengal has filed writ petitions (No. 3 of 2008, 4 of 2008 and 5 of 2008) before the Kolkata High Court, against the above judgments and order dated November 22, 2007, passed by the West Bengal Tax Tribunal. The matter is currently pending.

Civil Cases

There are 124 civil proceedings filed against our Company and the aggregate value of the claims against us in these proceedings is approximately Rs. 39.17 crore, plus interest. The details of proceedings involving significant claims are set forth below.

- (a) Bhasin Associate Limited has instituted arbitration proceedings against our Company alleging that several changes were made in the agreed work plan because of which it had to incur extra expenses in relation to the construction of the silt ejector power channel and escape channel at the Tanakpur power station. Bhasin Association Limited, in the meantime approached the District Judge, praying for a decree of permanent injunction restraining our Company from using any item or part of the plant, machinery, equipment at the project etc as well as from creating any obstruction in removal of the same. The case is pending adjudication.
- (b) Taxmaco Limited has filed a suit (1439 of 1991) in the Delhi High Court against our Company for recovery of approximately Rs. 0.46 crore. The plaintiff has claimed that the above-mentioned amount was deducted from the final bill presented by it post completion of the work executed under a contract for design, supply, erection and commissioning of spillway radial gates of the Salal power station. The case is pending adjudication. The suit has been filed in the High Court, New Delhi and the Company has counter claimed an amount of Rs.0.39 crore.
- (c) Jai Prakash Associates Limited (“JAL”) has filed a writ petition (OWP 935 of 2007) in the Jammu and Kashmir High Court under Article 226 of the Constitution of India read with Article 103 of the constitution of Jammu and Kashmir for a refund of an aggregate amount of Rs. 29.49 crore alleged to be on an account of un-permissible deduction made by our Company from the billed amounts of Jai Prakash towards package no. I of D.H.E.P. Our Company has been alleged to deduct Rs. 14.94 crore illegally as work contract tax from the billed amount till January 2007. The matter is currently pending.
- (d) JAL has filed a writ petition (OWP 936 of 2007) in the Jammu and Kashmir High Court under Article 226 of the Constitution of India read with Article 103 of the constitution of Jammu and Kashmir for a refund of an aggregate amount of Rs. 13.70 crore alleged to be on an account of un-permissible deduction made by our Company from the billed amounts of Jai Prakash towards package no. II of D.H.E.P. Our Company has been alleged to deduct Rs. 6.62 crore illegally as work contract tax from the billed amount till January 2007. Jai Prakash has further claimed an interest of Rs. 7.08 crore.
- (e) The Divisional Forest Office has filed a suit (No. 28 of 2002) against our Company, claiming Rs. 14.98 crore as compensation, and praying for an eviction and an injunction

against our Company and other suitable relief on account of diversion of forest land and dumping of debris in river Teesta. The matter is currently pending.

Land related Litigation

There are 524 proceedings relating to land acquired by our Company in relation to various projects. A majority of these proceedings relate to demands for enhanced compensation by land oustees. The aggregate value of the claims filed against us is approximately Rs. 91.13 crore. The project wise details of these proceedings are as follows:

I. Chamera – I Power Station

Our Company has acquired land in district Chamba for various purposes including offices, residential colony, project structure, etc. At present there are 124 proceedings pending before various forums challenging the compensation that has been paid by the concerned Land Acquisition Officer relating to the land acquired for the project.

Of the 124 proceedings pending:

- (a) There are 22 special leave petitions filed by our Company which are pending in the Supreme Court of India. Our Company has filed these petitions challenging orders of the Himachal Pradesh High Court which upheld the decisions of the District Court and permitted the award of higher compensation to certain land oustees. Notices have been issued in all these petitions by the Supreme Court and are pending adjudication.

There are 11 proceedings pending in the Himachal Pradesh High Court. Our Company has filed an appeal in these proceedings in the Himachal Pradesh High Court challenging the order of the District Judge, Chamba awarding higher compensation to the land oustees in these proceedings. The appeals are currently pending in the Himachal Pradesh High Court.

Our Company has, prior to filing an appeal/special leave petition before the appellate forums deposited the higher compensation amount awarded by the District Judge, Chamba, aggregating approximately Rs. 1.6 crore, in the Himachal Pradesh High Court or the Court of the District Judge, Chamba, respectively in the aforesaid cases.

- (b) There are 87 proceedings pending before the Collector, Land Acquisition, Chamba, against the Land Acquisition Officer and our Company, wherein the land oustees have alleged that the compensation paid for their properties has been assessed incorrectly by the Land Acquisition Officer, our Company and have approached the Collector Land Acquisition, Chamba, claiming higher compensation, similar to that decided in the above mentioned 27 proceedings. The land oustees have claimed compensation aggregating approximately Rs. 2.32 crore. These proceedings are currently pending before the Collector, Land Acquisition, Chamba.
- (c) There is one suit filed by Mr. Hari Nath Sharma, a land owner before the Civil Judge, Dalhousie, claiming that our Company is in wrongful possession of his property and has prayed for a declaration that the suit property is re-instated in his possession and that he is declared as the rightful owner of the said property. The suit is currently pending.
- (d) There are two proceedings pending in the Court of the Divisional Commissioner, Dharamshala, which have been filed by our Company against an order of land eviction issued by the Municipal Committee of Dalhousie. In addition there is one case filed against our Company, in the Court of the Civil Judge, Chamba claiming compensation as

certain water pipes owned by our Company are passing through this property. All these proceedings are currently pending.

II. Parbati – II Hydroelectric Project

Our Company has acquired land for various purposes including offices, residential colony, project structure, etc. At present there are 111 proceedings pending before various forums challenging the compensation that has been paid by the concerned Land Acquisition Officer relating to the land acquired for the project.

Of the 111 proceedings pending,

- (a) There are 75 proceedings pending in the Himachal Pradesh High Court. Our Company has filed an appeal in these proceedings in the Himachal Pradesh High Court challenging the order of the District Judge, Kullu awarding higher compensation to the land oustees in these proceedings. The appeals are currently pending in the Himachal Pradesh High Court. Our Company has, prior to filing an appeal in the Himachal Pradesh High Court deposited the higher compensation amount awarded by the District Judge, Kullu, aggregating approximately Rs. 3.15 crore, in the Himachal Pradesh High Court or the Court of the District Judge, Kullu respectively.
- (b) There are 36 proceedings pending in the Court of the Additional District Judge, Kullu, against the Land Acquisition Officer and our Company, wherein the land oustees have alleged that the compensation paid for their properties has been assessed incorrectly by the Land Acquisition Officer, our Company and thus they have approached the Court of the District Judge, Kullu, claiming higher compensation. Our Company has ascertained that the land oustees have claimed compensation aggregating approximately Rs. 3.02 crore. These proceedings are currently pending.

III. Parbati – III Hydroelectric Project

- (a) At present there are 244 proceedings pending before the District Judge, Kullu against the Land Acquisition Officer and our Company, wherein the land oustees have alleged that the compensation paid for their properties has been assessed incorrectly by the Land Acquisition Officer, our Company and have approached the Court of the District Judge, Kullu, claiming higher compensation. The claim amounts in these cases have not been individually demanded by the oustees, However, our Company has quantified these claims as aggregating approximately Rs. 80.39 crore. These proceedings are currently pending.
- (b) In addition to the 244 proceedings set forth above, Beli Ram has filed writ petition (CWP No. 1071 of 2008) dated June 24, 2008 against our Company and the State of Himachal Pradesh before the High Court, Simla praying to call for the records of the case from the Land Acquisition Officer, Parbati Hydro Electric Project-III, with respect to the Larjee-Saiji by-pass road after examining the legality of the various notification, pass appropriate directions by way of appropriate writ orders and directions in the facts and circumstances of the case. Beli Ram has further prayed to issue a writ of certiorari to quash the notifications dated May 7, 2005, August 25, 2007 and February 8, 2008 which held that the traces of the by-pass shall pass through the house of the petitioner demolishing a part of the house. The petitioner has *inter alia*, prayed for an issuance of writ of mandamus directing the state and us to issue fresh notification for the purpose of acquisition both the land and the house and directing them to announce an award under section 11 of the Land Acquisition Act, 1894. Our Company had filed a reply for the dismissal of the writ petition on the grounds that no right of the petitioner whatsoever had been violated and he has been granted all the rights as per the law. The matter is currently pending.

IV. Residuary Land and Civil Cases

Our Company is involved in 44 other land related cases as a result of land acquired or purchased for our projects located in Uri, Chutak, Dhauliganga and Dulhasti and certain civil cases wherein claims for damages have been filed against our Company for certain losses occurred during construction undertaken by our Company for various projects. The aggregate amount of claims in these cases are Rs. 0.69 crore. These matters are presently pending adjudication before the respective forums.

Labour/Service related Litigation

There are 161 labour-related legal proceedings which have been filed by former or current employees of our Company, contract labourers employed by contractors for carrying out works in our Company and trade unions. These proceedings primarily relate to claims for regularization of service, promotion, termination, superannuation etc. The aggregate claim against us in these proceedings is approximately Rs. 0.98 crore. The details of the significant proceedings are set forth below.

- (a) Mr. S. C. Sharma has filed a writ petition (No. 354 (sh) of 2005) in the Guwahati High Court against the Union of India, our Company and others, claiming that he had applied for the post of Chairman and Managing Director of our Company and that after receiving clearance from the Central Vigilance Commission his candidature was not considered for the post. The petitioner has prayed, *inter alia*, that the Guwahati High Court should call the records and issue a show cause notice to the respondents as to why a writ in the nature of *mandamus* should not be issued to recall and cancel certain orders of the Central Vigilance Commission. Mr. Sharma has also prayed for a permanent injunction and an interim order restraining the respondents from considering the case of any other candidate for appointment to the post of Chairman and Managing Director of our Company, and an interim order to provisionally appoint him as Chairman and Managing Director of our Company. The High Court, through its order dated January 28, 2005 directed the respondents to not consider the case of any other candidate without considering the case of Mr. S.C. Sharma. The aforesaid interim order of the High Court was challenged by the Union of India and our Company through a special leave petition in the Supreme Court. The Supreme Court has struck down the said interim order of the Guwahati High Court. The matter is currently pending in the Supreme Court.
- (b) A writ petition (CWP No. 18622 of 2005) has been filed against our Company and others in the Punjab and Haryana High Court by Mr. A.K. Temboore and 37 employees of our Company, on the ground that our Company has discriminated against the petitioners while applying the qualifying service period for promotion from grade E-2 to grade E-3. The petitioners have prayed in the Punjab and Haryana High Court to quash the order dated March 29, 2005 issued by our Company whereby their claims for promotion by granting relaxation were declined. The matter is pending.
- (c) Mr. Pratap Singh and 33 others have raised an industrial dispute (No. 1292 of 1995) against our Company in the Labour Court in Karkardooma, Delhi alleging that their termination from the post of security guard was illegal, and seeking permanent employment in our Company as security guards. The matter is currently pending.

Motor Accident Claims Related Litigation

There are 15 cases pending before the Motor Accident Claims Tribunal involving an aggregate sum of Rs. 1.33 crore.

Arbitration Proceedings

There are 80 arbitration proceedings filed against our Company and the aggregate value of the claims against us in these proceedings are approximately Rs. 736.54 crore and CAD 0.15 crore, plus interest. The details of the arbitration proceedings involving significant claims, i.e., exceeding a monetary value of Rs. 0.25 crore are set forth below.

- (a) Continental Constructions Limited (“**CCL**”) has instituted arbitration proceedings against our Company with respect to alleged non payment of certain dues in respect of a contract with our Company (NH/Contracts/CC/CH-04/Agreement, dated October 1, 1985). The claims pertain to payment of final bills for execution of certain works by Continental Constructions Limited under the aforesaid agreement. Continental Constructions Limited has claimed compensation amounting to approximately Rs. 34 crore, excluding interest.
- (b) Ali Mohammed Baba and Sons had instituted arbitration proceedings against our Company in relation to alleged non payment for certain works executed pursuant to a contract entered into with our Company (Agreement No. NH/CD/EC/URI-55/89 dated September 14, 1989). The sole arbitrator selected pursuant to the contract had, through an award dated April 30, 2003, awarded an amount of Rs. 0.62 crore to Ali Mohammed Baba and Sons. Our Company has filed an objection petition dated January 3, 2004 in the Delhi High Court, praying that the arbitral award be quashed. The petition is pending adjudication.
- (c) Jaiprakash Associates has instituted arbitration proceedings against our Company alleging non payment of dues in relation to a contract entered into with our Company for execution of certain works for the Chamera - I power station (Contract Number NH/contracts/CC/CH-07/Agreement dated May 27, 1986). Jaiprakash Associates has claimed a compensation of Rs. 52.43 crore plus interest. Our Company has filed a counterclaim of approximately Rs. 0.68 crore towards recoveries due on account of materials at site which was not incorporated in the works.
- (d) Taxmaco Limited had instituted arbitration proceedings against our Company claiming compensation of approximately Rs. 1.05 crore, plus interest, on account of escalation in project cost due to a revision in basic drawings. The sole arbitrator dismissed the claim of Taxmaco Limited, through an award dated January 30, 1997, pursuant to which Taxmaco Limited has filed an arbitration suit (Suit No. 713-A of 1997) in the Delhi High Court for setting aside the arbitral award. The petition is pending adjudication.
- (e) Acon Construction India Private Limited (“**Acon**”) had instituted arbitration proceedings against our Company alleging that our Company failed to discharge its contractual obligations insofar as it failed to provide, *inter alia*, advances of mobilization, materials and machineries pursuant to the contract dated May 12, 1998 it entered into with our Company for the construction of type B quarters. Acon has claimed compensation of approximately Rs. 3.02 crore excluding interest.
- (f) Hindustan Construction Company Limited (“**HCC**”) has instituted arbitration proceeding against our Company claiming certain payments on account of final bills due to deviations and rise in minimum wages pursuant to a works contract entered into with our Company for the construction of a power tunnel and power house. HCC has claimed approximately Rs. 23.03 crore and Rs. 14.56 crore, excluding interest, for construction of power tunnel and power house respectively. Our Company has filed a counterclaim of Rs. 9.07 crore and Rs. 4.21 crore for construction of power tunnel and power house respectively on account of recoveries due to the materials at site account.

- (g) Acon has instituted arbitration proceedings against our Company alleging a breach of contract dated February 21, 1998 on the ground that our Company failed to provide basic facilities like electricity and roads as well as making quarries available for manufacturing aggregate, due to which Acon had incurred losses. Acon has claimed a compensation of approximately Rs. 1.97 crore plus interest.
- (h) HCC had instituted arbitration proceedings against our Company, claiming compensation of approximately Rs. 1.84 crore excluding interest on account of alleged non-payment of price variation in relation to works executed pursuant to a contract dated February 19, 1986 entered into between HCC and our Company. The arbitrator had through an award dated December 21, 1996, dismissed HCC's petition. HCC has challenged the arbitral award by filing a suit (Suit No. 554 and 1192 of 97) in the Delhi High Court.
- (i) HCC had instituted an arbitration proceeding against our Company pursuant to a contract (Agreement No. NH/contracts/CC/CH-09 dated December 10, 1985) entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. HCC has claimed a compensation of approximately Rs. 2.0 crore, plus interest. The arbitrator had through an award dated December 21, 1996, dismissed the claim of HCC. HCC has subsequently challenged the arbitral award by filing a suit (Suit no. 555/949-A of 1997) against our Company in the Delhi High Court. The petition is pending adjudication.
- (j) CCL had instituted an arbitration proceeding against our Company pursuant to a contract dated May 28, 1986 entered into with our Company alleging non payment of price variation dues on material issued for execution of works. CCL has claimed a compensation of approximately Rs. 1.06 crore plus interest. The arbitrator had through an award dated December 21, 1996, dismissed the claim of CCL. CCL has challenged the arbitral award by filing a suit (Suit no. 1111-A of 1997) against our Company in the Delhi High Court. The petition is pending adjudication.
- (k) CCL had instituted an arbitration proceeding against our Company pursuant to a contract dated October 1, 1985 entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. CCL has claimed compensation of approximately Rs. 1.06 crore plus interest. The arbitrator had through an award dated December 21, 1996, dismissed the claim of CCL. CCL has challenged the arbitral award by filing a suit (Suit no. 1110-A of 1997) against our Company in the Delhi High Court. The petition is pending adjudication.
- (l) Jai Prakash Industries Limited had instituted an arbitration proceeding against our Company pursuant to a contract dated May 27, 1986 entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. Jai Prakash Industries Limited has claimed a compensation of approximately Rs. 6.47 crore, plus interest. The arbitrator had through an award dated December 21, 1996, dismissed the claim of Jai Prakash Industries Limited. Jai Prakash Industries Limited has subsequently challenged the arbitral award by filing a suit in January 1997 against our Company in the Delhi High Court. The petition is pending adjudication.
- (m) CCL has instituted an arbitration proceeding against our Company pursuant to a contract dated October 1, 1985 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. CCL has further claimed amounts towards the cost of labour on account of statutory provisions. The arbitrator, through its award dated November 7, 1994, held in favour of CCL. Our Company has subsequently

challenged the arbitral award by filing a suit (Suit No. 2679 of 1994) in the Delhi High Court. The total sum claimed is not quantified. The petition is pending adjudication.

- (n) CCL has instituted an arbitration proceeding against our Company pursuant to a contract dated May 28, 1985 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. CCL has further claimed towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through its award dated November 7, 1994, held in favour of CCL. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2678 of 1994) in the Delhi High Court. The total sum claimed is not quantified. The petition is pending adjudication.
- (o) HCC has instituted an arbitration proceeding against our Company pursuant to a contract dated February 19, 1986 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. HCC has further claimed amounts towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through its award dated December 21, 1996, held in favour of HCC. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2710 of 1994) in the Delhi High Court. The total sum claimed is not quantified. The petition is pending adjudication.
- (p) HCC has instituted an arbitration proceeding against our Company pursuant to a contract dated December 10, 1985 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. HCC has further claimed amounts towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through its award dated December 21, 1996, held in favour of HCC. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2678 of 1994) in the Delhi High Court. The total sum claimed is not quantified. The petition is pending adjudication.
- (q) JAL has instituted an arbitration proceeding against our Company pursuant to a contract dated May 07, 1986 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. JAL has further claimed amounts towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through its award dated December 21, 1996, held in favour of JAL. Our Company has challenged the arbitral award by filing a suit (Suit No. 2678 of 1994) in the Delhi High Court. The total sum claimed is not quantified. The petition is pending adjudication.
- (r) Karam Chand Thapar and Bros (CS) Limited has instituted an arbitration proceeding against our Company pursuant to a contract (NH-Contracts CC/SL-II-001 dated March 7, 1990) entered into with our Company claiming payment of their final bill and compensation for an alleged breach of their contract amounting to Rs. 6.2 crore plus interest. The proceedings are currently pending adjudication before an arbitrator.
- (s) Gammon India Limited has instituted arbitration proceedings against our Company pursuant to a contract dated August 22, 1978 entered into with our Company. The dispute

relates to alleged non-payment for certain construction work performed by Gammon India Limited under the aforesaid contract. The arbitral tribunal, through its order dated January 4, 2005, has ruled in favour of the claimant and passed an award of Rs. 21.34 crore, plus interest. Our Company has subsequently challenged this award through a suit dated May 26, 2005, filed in the Jammu and Kashmir High Court. The suit is pending adjudication.

- (t) Sham Mahajan (India) has instituted two separate arbitration proceedings against our Company, alleging non payment for escalation in the project costs, pursuant to a contract (NH/PHEP/CE-2/DB/PKG-60 and NH/PHEP/CE-2/DB/PKG-61 dated August 27, 2001) between Sham Mahajan (India) and our Company. Sham Mahajan (India) has in these two proceedings, claimed compensation of approximately Rs. 0.64 crore, and Rs. 0.92 crore, respectively, plus interest.
- (u) Himachal Joint Venture has instituted arbitration proceeding against our Company pursuant to a contract November 7, 2002, entered into with our Company, alleging a breach of its contractual obligations by our Company as a consequence of which its cash flows were weakened. Himachal Joint Venture has claimed an aggregate compensation of approximately Rs. 134.0 crore, plus interest by way of compensation. Vide order dated July 14, 2007 the Arbitral tribunal by majority has granted an award of Rs. 114.0 crore along with an interest @18% till the time of realisation of the amount. Our Company has challenged the said award in the District court, Faridabad where the matter is currently pending.
- (v) CCL has instituted arbitration proceeding against our Company pursuant to a contract dated May 28, 1986 entered into with our Company, alleging non payment of final bill, etc. CCL has claimed a compensation of approximately Rs. 22.2 crore, plus interest. The matter is currently pending.
- (w) Karam Chand Thapar and Bros (CS) Limited has instituted arbitration proceeding against our Company pursuant to a contract dated March 7, 1990, entered into with our Company, alleging non payment of monies for variation in steel weight. Karam Chand Thapar and Bros (CS) Limited have claimed a compensation of approximately Rs. 1.1 crore, plus interest. As regards preliminary submissions, the arbitrator has through its award dated November 22, 2002 held that most of the claims of Karam Chand Thapar and Bros (CS) Limited are not arbitrable. Karam Chand Thapar and Bros (CS) Limited have subsequently filed an application in Delhi High Court (Arbitration petition objection no. 3 of 2004) against the above said order. The remaining claims made by Karam Chand Thapar and Bros (CS) Limited are pending before the concerned arbitrator. The application in the Delhi High Court is currently pending.
- (x) Karam Chand Thapar and Bros (CS) Limited has instituted an arbitration proceeding against our Company pursuant to a contract dated March 7, 1990 claiming compensation of Rs. 1.94 crore, plus interest as reparation of losses suffered on account of floods. The arbitrator, through its award dated September 9, 2000, held in favour of Karam Chand Thapar and Bros (CS) Limited. Our Company has challenged the arbitral award by filing a suit dated December 8, 2000, in the Jammu and Kashmir High Court which was subsequently transferred to the Delhi High Court. The suit is pending adjudication.
- (y) T.R Gupta Industries Private Limited (“TRG”) has instituted arbitration proceeding against our Company pursuant to a contract dated February 5, 1986 entered into with our Company for the construction of barrage, head regulator and other works. TRG has claimed compensation of approximately Rs. 0.76 crore, plus interest on account of non-payment of dues. The arbitrator, through its award dated March 24, 2006, held against TRG. TRG has subsequently challenged the arbitral award by filing an objection petition in the Delhi High Court.

- (z) General Electric Canada Inc. and MIL Inc. had instituted arbitration proceedings against our Company pursuant to the contract dated August 3, 1984 entered into with our Company claiming compensation on account of price variation of the contract price. The total amount claimed by General Electric Canada Inc. and MIL Inc. is approximately CAD 0.08 crore and CAD 0.07 crore plus interest, respectively. Our Company has filed counterclaims of approximately CAD 0.006 crore and CAD 0.01 crore, against General Electric Canada Inc. and MIL Inc., respectively. The ICC arbitral tribunal, through its award dated May 7, 1996, ruled in favour of General Electric Canada Inc. and MIL Inc. Our Company has filed a petition in the Delhi High Court challenging the aforesaid award. The matter is currently pending.
- (aa) Dev Denso Power Limited has filed an arbitration petition before the District Judge, Pithoragarh against our Company, praying for the appointment of an arbitrator for adjudication of a dispute with our Company, valued at approximately Rs. 0.25 crore, plus interest. The matter is currently pending.
- (bb) Our Company has filed an application against Kajima Daewoo (joint venture) and others before the District Judge, Pithoragarh, challenging the award of the arbitrator dated November 11, 2006 against our Company in relation to the contract agreement (No. NH/DHG/CONTRACT/CE-01) dated February 28, 2000 for Dhauliganga project for the civil works for dam and part head raised tunnel. The amount in dispute is approximately Rs. 1.40 crore. The matter is currently pending.
- (cc) Our Company has filed an application against Samsung Corporation (joint venture) and others before the District Judge, Pithoragarh, challenging the award of the arbitral tribunal dated November 11, 2006 in favour of our Company in relation to the contract agreement (No. NH/DHG/CONTRACT/CC-02) for Dhauliganga hydroelectric project for the civil works at the power station and water ways. The amount in dispute is approximately Rs. 2.17 crore. The matter is currently pending.
- (dd) JAL has instituted an arbitration proceeding against our Company pursuant to a contract dated March 21, 2001 claiming approximately Rs. 4.01 crore along with an interest of 12% as reimbursement of deviated quantity of the backfill concrete in underground excavation in over breaks accepted due to geological conditions. The matter is currently pending for filing of the reply by our Company.
- (ee) JAL has instituted an arbitration proceeding against our Company pursuant to a contract dated March 21, 2001 claiming approximately Rs. 5.08 crore along with an interest of 12% as reimbursement of cost of transport of debris beyond three kilometres after haulage from site. The matter is currently pending for arguments.
- (ff) JAL has instituted an arbitration proceeding against our Company pursuant to a contract dated March 21, 2001 claiming approximately Rs. 41.40 crore up to September 2007 and thereafter along with an interest of 12% towards reimbursement of additional payment to the labour due to abrupt price in minimum wages for the work executed. The matter is currently pending.
- (gg) Patel Engineering Limited has instituted an arbitration proceeding against our Company pursuant to the contract dated September 8, 2003 claiming approximately Rs. 2.93 crore with 18% interest towards idle charges for labour and machinery, overheads, etc. The matter is currently pending.
- (hh) K.K. Chibber has instituted a arbitration proceeding against our Company pursuant to agreement dated July 2, 2004 claiming approximately Rs. 0.52 crore as reimbursement for

shifting machines, idle charges for labours machinery, escalation etc. with 12% interest. The matter is currently pending.

- (ii) Vijay Kumar Sharma has instituted arbitration proceedings against our Company in relation to contract of the work of 7/10 m. by pass road from Larji to proposed new bridge site at Behali of Parbati hydroelectric project, Himachal Pradesh. The amount in dispute is approximately Rs. 1.84 crore along with 18% interest. The matter is currently pending.
- (jj) Prem Power Constructions Private Limited has filed an application in the Delhi High Court for appointment of arbitrator. The amount in dispute is Rs. 13.32 crore. The dispute relates to construction of 132 KV S/C Transmission line between Geylephug Tintibi-Nanglam, Kurrichu hydroelectric project, Bhutan (Teesta - V). The matter is currently pending.
- (kk) Joint Venture of Prem Power Constructions Private Limited and Bhola Singh Jaiprakash Construction Limited have instituted an arbitration proceeding against our Company in relation to the contract for the works of construction of balance civil works of Kambang (3x2 MW) Hydro Project, Arunachal Pradesh and claiming an amount of Rs. 40.10 crore. The matter is currently pending.
- (ll) Progressive Construction Limited has filed an application in the Delhi High Court for appointment of arbitrator. The dispute relates to the contract for the construction of power channel-package-III from reduced distance 4,032 metres to 52,000 metres of Tanakpur project between the contractor and his sub-contractor Sharma & Associates Private Limited. The amount of dispute is Rs. 11.13 crore. The case is currently pending at argument stage.
- (mm) Walia Construction Company has instituted an arbitration proceeding against our Company in relation to contract (No. NH/OG/T-11/AAGP/264) dated July 5, 1999 and contract (No. NH/DG/TC-II/265/09) relating to the construction type –B quarters (six blocks), three storied RCC frame structure in Nigal Pani (package 9,10,11 and 12) , claiming an amount of Rs. 1.34 crore. The claims relate to withholding of the final bill by our Company, non payment and reduction of rates in certain items, payments in account of wrong measurement and losses suffered and expenses incurred on account of increased rates. The matter is currently pending.
- (nn) Patel Engineering Limited has instituted an arbitration proceeding against our Company pursuant to contract dated November 21, 2003 claiming an amount of Rs. 44.4 crore along with interest as compensation towards the dispute of work, extra payment for loose volume of transporting embankment material (reference I) and Rs. 0.27 crore along with interest (reference II), as payment for additional lead for boulder filling. The matter is currently pending with the arbitrator.
- (oo) R.S. Construction has instituted an arbitration proceeding against our Company pursuant to contract agreement no. 6 dated August 6, 2005 for construction of temporary executive and non-executive field hostel-office building and stores at Behali, Spangni for Parbati hydroelectric project stage-III, Himachal Pradesh claiming an amount of Rs. 1.15 crore towards compensation for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work. The matter is currently pending before the arbitral tribunal.
- (pp) JAL has filed an application under section 11 of Arbitration and Conciliation Act, 1996 in the Delhi High Court for the appointment of arbitrator after appointing their nominee arbitrator pursuant to the contract dated July 18, 1999 for execution and completion of Chamera power station Stage-II in district Chamba read with the contract for

commissioning the project ahead of schedule. The contractors claimed compensation of Rs. 30 crore. Our Company is contesting the claim and has filed a special leave petition in the Supreme Court, where the matter is currently pending.

- (qq) Ayush Construction Private Limited, Chandigarh has instituted an arbitration proceeding against our Company pursuant to the contract agreement for construction of VIP guest house at Nagwain, Package No. T-77, for Parbati hydroelectric project stage – III, claiming a compensation of Rs. 0.33 crore for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work. The matter is currently pending before the arbitral tribunal.
- (rr) Anil Gupta has instituted an arbitration proceeding against our Company pursuant to a tender letter for construction of 7/10 metres wide road from RD 13,040 metres to 14,110 metres, for Parbati hydroelectric project stage – III dated January 17, 2001, claiming compensation for an amount of Rs. 0.28 crore for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work. The matter is currently pending before the arbitral tribunal.
- (ss) Patel Sew JV has initiated an arbitration proceeding against our Company pursuant to contract no. NHPC/CCW/0603/19(01)/05/1160 dated September 11, 2002 for construction of civil and hydro-mechanical works for diversion dam and part HRT (lot PB – II) of Parbati hydroelectric project stage – II. The arbitral tribunal has been constituted and the statement of claims is yet to be filed. As per notice invoking the arbitration, the tentative claim has been indicated as Rs. 218.11 crore.
- (tt) Shah & Company has filed an arbitration claim before the arbitral tribunal in relation to the Uri-II, hydroelectric project for demanding the extra carriage, idle charge of men and machinery for the construction of approach road to surge shaft area. The contract was executed by the parties through award letter no. NH/UHP-II/1&1C/05/CW-650 dated May 28, 2005. The amount involved in the dispute is Rs. 0.47 crore. The matter is currently pending.
- (uu) Chenab Construction Company has filed a petition (No. AA36 of 2005) dated December 19, 2005 against our Company under the Jammu & Kashmir Arbitration and Conciliation Act, 1997 for appointment of arbitrator and for the reference of dispute in terms of the contract between the parties for construction works and re launching of Kanthan log boom to be carried out Salal hydroelectric project. Chenab Construction Company has claimed Rs. 0.41 crore, alleging that our Company had withheld the payment. The matter is currently pending.
- (vv) B.P. Engineering Works Engineers and Contractors (“**B.P. Engineering**”) have instituted an arbitration proceeding against our Company in relation to the contract for the construction of the office complex vide the contract agreement (No. 8 of 2004-05) dated July 19, 2004 alleging that the delay caused was due to delay in handing over the worksite by our Company. B.P. Engineering has claimed a compensation of Rs. 0.65 crore. The matter is currently pending.
- (ww) Jai Prakash NCC Tunneling (“**Jai Prakash**”) JV had instituted arbitration proceedings against our Company pursuant to two separate contracts dated April 9, 1997 entered into with our Company alleging the non-payment for extra works executed as a consequence of deviation and claimed an amount of Rs. 36.02 crore and Rs. 9.61 crore aggregating to a total amount of Rs.45.66 crore. The arbitral tribunal had rejected the second claim of Rs. 9.61 crore. However, with respect to the claim of Rs. 36.02 crore, instead of allowing the said amount the arbitrator has allowed the contractor to be paid an analyzed rate derived from the actual input at 100% as not to allow any punitive effect upon them in regard to

the remanant works earlier deserted by other agencies involved vide its award dated April 19, 2008 and clarification order dated May 16, 2008. Aggrieved by the award and order of the arbitral tribunal, our Company has filed an application (O.M.P. No. 382 of 2008) dated July 17, 2008 before the High Court, New Delhi under section 34 of the Arbitration and Conciliation Act, 1996 to set aside the award granted by the arbitral tribunal dated April 19, 2008 and the modification order dated May 16, 2008.

II. LITIGATION FILED BY OUR COMPANY

Criminal Cases

There are three criminal proceedings filed by our Company. Brief details of these cases are set forth below.

- (a) Our Company has filed a first information report (Ref. No. NH/CHT/SM(C)/2006/172-73) dated June 2, 2002 against Mr. Haji Jaffer before the Station House Officer, Kargil for manhandling Mr. Bharat Chandra Mahto, an employee of our Company on duty and creating hindrances in the work. The State Jammu and Kashmir has instituted a case (No. 39 of 2006) against Mr. Haji Jaffer on the basis of the above mentioned complaint. The case is currently under investigation.
- (b) Our Company has filed two first information reports against Mr. Jhabe Ram under Section 154 of the Cr. P.C before the Station House Officer, Banjar, and District Kullu on allegations of disrupting our Company's construction activities at its project site. The matters are currently pending before the Chief Judicial Magistrate, Kullu. Following the complaint the State of Himachal Pradesh has filed a case (No. 195-I of 2006 and 195-I of 2007) against Mr. Jhabe Ram on the basis of the above mentioned complaint.

Environmental Litigation

There are three environment-related legal proceedings initiated by our Company, the details of which are set forth below.

- (a) Our Company has challenged the notifications issued by the Himachal Pradesh Government, dated July 16, 2005 and September 9, 2005 directing our Company to release and maintain 15% of the minimum flow observed in the lean seasons into the river. The said order has been challenged by our Company in the Himachal Pradesh High Court. The matter is presently pending in the Himachal Pradesh High Court.
- (b) Laxmi Dyeing and Printing Mills had instituted a suit against our Company as well as an application for an interim injunction from trespassing (dumping debris etc) in the property. The court has passed an *ex parte* injunction directing the parties to maintain *status quo*. Our Company has filed a contempt petition alleging that the plaintiff has not observed the court order of maintaining *status quo*.
- (c) Our Company has filed an interim application in (W.P. 337 of 1995) and has prayed to be impleaded as a party in the writ petition and further prayed that we be permitted to implement the Pakal Dul hydroelectric power project in accordance with the clearance granted by the Standing Committee of the National Board of Wild Life and to implement the above project by de-reserving 386.186 hectares of forest land from the existing Kishtwar High Altitude National Park. The Supreme Court by its interim order dated November 13, 2000 in (W.P. 337 of 1995 filed by the Centre for the Environmental Law, WWF-I against the Union of India and others) had ordered no de-reservation of forests/sanctuaries. National parks shall be affected pending further orders. However, the said order was further modified by the Supreme Court dated May 9, 2002 to the effect

that no permission under the Wildlife Act, 1972 should be granted without getting the approval of the Standing Committee. The matter is currently pending.

Central Electricity Regulatory Commission

Our Company has filed 14 petitions/appeals in relation to tariff orders issued for some of our power stations. Brief details of these proceedings are set forth below.

- (a) Our Company had filed a petition (47 of 2005) before the CERC for approval of the tariff proposal in respect of the Uri – I power station for the period from April 1, 2004 to March 31, 2009. The CERC, through its order dated May 9, 2006, allowed our tariff proposal with modification. Our Company has also filed an appeal (131 of 2006) before the Appellate Tribunal for Electricity against the above order. The appeal is currently pending.
- (b) Our Company has filed an appeal (FAO 1781 of 2001) in the Punjab and Haryana High Court against the CERC order dated April 7, 2000, through which our Company's petition seeking a reduction in the normative availability for calculation of incentive from 90% to 85% on the basis of the National Hydro Power Policy issued by the GoI was rejected. The appeal is currently pending.
- (c) Our Company has filed two separate appeals (130 of 2006) and (138 of 2006) before the appellate Tribunal for Electricity challenging the CERC's orders dated May 9, 2006 (in petition no. 197 of 2004 and petition no. 175 of 2004, respectively) through which the CERC has determined the tariff in respect of the Salal and Rangit hydroelectric project for the period from April 1, 2004 to March 31, 2009.
- (d) Our Company has filed an appeal (163 of 2006) before the Appellate Tribunal for Electricity against the CERC's order dated May 9, 2006 in petition no. 30/2005 through which the CERC has determined the tariff of the Tanakpur power station for the period from April 1, 2004 to March 31, 2009. The appeal is currently pending.
- (e) Our Company has filed an appeal (No. 84 of 2007) before the Appellate Tribunal for Electricity against the CERC's tariff order dated May 9, 2006 (tariff petition No. 39 of 2005) in respect of the Chamara hydroelectric project (Stage-I). The appeal has been filed on the ground that CERC has not applied various provisions of the tariff regulation in respect of interest on loan, depreciation. The appeal is currently pending.
- (f) Our Company has filed a tariff petition (No. 107 of 2006) before the CERC for determination of tariff in respect of the Dhauliganga power station for the period November 1, 2005 to March 31, 2009. The CERC vide its order dated December 13, 2007 determined the tariff. Aggrieved by the tariff rate fixed by the CERC by its aforesaid order, our Company has filed a review petition (No. 22 of 2008) before the CERC. Our Company has also filed an appeal before the Appellate Tribunal for Electricity. The appeal and the review petition are currently pending.
- (g) Our Company has filed an appeal (No. 274 of 2006) before the Appellate Tribunal for Electricity against the CERC's tariff order dated October 4, 2006 (tariff petition no. 171 of 2004) through which the tariff of the Loktak hydroelectric project has been determined. The appeal is currently pending.
- (h) Our Company has filed a writ petition (No. 51 of 2008) in the Delhi High Court against the CERC challenging an amendment in the Tariff Regulation issued vide a CERC notification dated December 28, 2007 of the (Terms and Conditions of Tariff) Regulations, 2004 relating to, *inter alia*, the amended method of calculation of the

unscheduled interchanged charges payable in respect of hydroelectric generating units. The matter is currently pending adjudication.

- (i) Our Company had filed petitions (Nos. 51, 55, 56 and 57 of 2000) before the CERC. The CERC by its order dated October 10, 2000 allowed the petitions of the Company. Aggrieved by the order of the CERC, The Rajasthan Rajya Vidyut Prasaran Nigam Limited has filed an appeal (SB Civil Miscellaneous Appeal no. 1500 of 2002) in the Rajasthan High Court, challenging the CERC's order dated October 10, 2000, through which the CERC reduced the normative availability of the capacity charges from 90% to 85% in respect of power projects of our Company.
- (j) Our Company filed a petition (No. 7 of 2000) before the CERC to direct the SEBs, who were beneficiaries of our Company, to pay for secondary energy at the rate of primary energy. The CERC by its order dated July 17, 2000 allowed the petition and determined the rate of secondary energy equal to the rate of primary energy. The Punjab SEB has filed an appeal (FAO 2365 of 2000) against our Company, challenging the order of the CERC. The matter is currently pending.
- (k) Our Company filed a petition (No. 59 of 2001) dated July 20, 2001 before the CERC. The CERC vide its order dated November 1, 2002 determined the tariff of Loktak hydroelectric project for the period from April 1, 2001 to March 31, 2004. Aggrieved by the order of the CERC, the Assam State Electricity Board has filed an appeal (No. 66 of 2003) against the CERC and our Company in the Guwahati High Court challenging orders issued by the CERC dated November 1, 2002 and February 24, 2003 for increase in tariff in relation to the Loktak hydroelectric project for the period 2001-2004. The matter is still pending.
- (l) Our Company filed a petition (No. 7 of 2000) dated January 28, 2000 before the CERC. The CERC vide its order dated July 17, 2000 allowed the petition and determined the rate of secondary energy equal to the rate of primary energy. Aggrieved by the order of the CERC, The Haryana Vidyut Prasaran Nigam Limited has filed an appeal (FAO 2594 of 2000) in the Punjab and Haryana High Court against our Company, challenging the CERC's order dated July 17, 2000. The matter is currently pending.

Civil Cases

There is an aggregate of 13 proceedings filed by our company involving an aggregate sum of approximately Rs. 2.11 crore. Details of the significant cases above Rs. 0.25 crore are set forth below.

- (a) Our Company has filed an execution petition before the District Judge in Chamba, against Kishan Singh and Co. for recovery of the award of Rs. 0.34 crore passed in favour of our Company by the sole arbitrator. The matter is currently pending.
- (b) Our Company has filed a suit in the Delhi High Court against the Punjab and Sind Bank and Bhasin Associate Private Limited ("**BAPL**"), claiming an amount of Rs. 0.46 crore as encashment of bank guarantee on account of termination of contract of BAPL for the construction of silt ejectors, power channel, and other works at the Tanakpur power station. The matter is currently pending.
- (c) Our Company has filed a money suit against United India Insurance Company Limited for recovery of approximately Rs. 1.22 crore towards loss, damages, compensation and for other consequential relief. The matter is currently pending.

- (d) Our Company has filed a suit (No. 2477 of 1991) in the Delhi High Court against Punjab and Sind Bank and others pertaining to encashment of bank guarantee on termination of the contract of BAPL for the construction of silt ejector, power channel and escape channel at Tanakpur power station. The total financial implication of the case is 0.29 crore. The case is currently pending.

Arbitration Filed by our Company

There are six arbitration claims that have been instituted by our Company against third parties. The aggregate amount claimed by our Company in these cases is approximately Rs. 91.70 crore.

Brief details of these claims are set forth below.

- (a) Our Company has instituted arbitration proceedings against the State of Jammu and Kashmir, on the ground of failure on part of the Power Development Department of Jammu and Kashmir to clear outstanding dues of approximately Rs. 28 crore, which have arisen under the bulk power supply agreement. Our Company has alleged that the respondents failed to clear the same by seeking to unilaterally make deductions in the amounts of bonds to be issued to the claimant towards electricity supplied under the bulk power supply agreement. The matter is currently pending.
- (b) Our Company has instituted arbitration proceedings against the government of Manipur in relation to a dispute over outstanding dues of approximately Rs. 26.76 crore from the government of Manipur against energy bills raised by our Company under the bulk power supply agreement. The State of Manipur has challenged the award dated July 30, 2007. The matter is currently pending.
- (c) Our Company had instituted arbitration proceedings against the Himachal Pradesh SEB for alleged non-payment of electricity dues amounting to approximately Rs. 35.20 crore. The sole arbitrator gave an award, dated November 11, 2006, against our Company. Our Company has challenged the award in the Himachal Pradesh High Court. The matter is currently pending.
- (d) Our Company had instituted arbitration proceeding against United India Insurance Company (“**United Insurance**”), claiming approximately Rs. 1.28 crore towards loss due to collapse of a bridge during its construction. The arbitral tribunal has awarded Rs. 0.44 crore to our Company, along with interest. United Insurance has challenged this award before the District Judge in Chandigarh. The District Judge, Chandigarh held that he had no territorial jurisdiction and returned the objection. United Insurance has filed the same in the Himachal Pradesh High Court at Shimla. The matter is currently pending.
- (e) Our Company has instituted arbitration proceedings dated November 14, 2006 against Ram Sayal & Sons Construction Private Limited for the recovery of Rs. 0.48 crore which could not be recovered from the final bill of the contractor towards the security deposit, income tax and recovery of the materials issued to the contractor for the purpose of designing and construction of a double lane pre-stressed bridge over the river at the power house site near Sunid, Kullu, by the agreement (No. NH/PHEP/Civil/Contracts/Pkg-41/2000) dated October 16, 2000. The matter is currently pending.
- (f) Our Company has instituted an arbitration against Ram Avtar Gupta pursuant to contract agreement (No. 17/12002-03) for construction of temporary C type quarter at Saing for the Parbati hydroelectric project stage – II, claiming compensation for an aggregate amount of Rs. 0.83 crore for non provision of the work site, occurrence of flash flood and losses suffered due to prolongation of work. Ram Avtar Gupta has counter claimed an amount of Rs. 0.75 crore. The matter is currently pending before the arbitral tribunal.

Labour/Service Related Litigation:

There are five labour/service cases filed by our Company pending before Delhi High Court.

- (a) Our Company drafted and submitted a standing order for the workmen under the Industrial Employment (Standing Orders) Act, 1946 before the Labour Commissioner for adopting these orders in accordance with the provisions of the Act. The Labour Commissioner passed an order dated July 16, 2001 against which the NHPC Employee Union, Parbati hydroelectric project had filed an appeal for the certification of standing orders dated July 16, 2001 issued by the certifying officer and regional labour commissioner before the Appellate Authority and the Joint Chief Labour Commissioner. The Appellate Authority, vide its order dated March 31, 2005, made a number of modifications in the Certified Standing Orders. Aggrieved by the order our Company has filed a writ petition (No. 362-63 of 2006) through an affidavit dated November 16, 2005 in the Delhi High Court. The matter is currently pending.
- (b) Our Company drafted and suggested certain modifications in the certified standing order for the workmen under the Industrial Employment (Standing Orders) Act, 1946 before the Labour Commissioner for adopting these orders in accordance with the provisions of the Industrial Employment Act. The Labour Commissioner passed an order dated June 29, 2001 against which an appeal was filed by us before the Appellate Authority/Joint Chief Labour Commissioner who passed an order dated March 31, 2005 making a number of modifications in the certified standing orders. Aggrieved by which, our Company filed a writ petition (No. 388-89 of 2006) through an affidavit dated November 30, 2005 in the Delhi High Court. The case is currently pending.
- (c) Our Company drafted and suggested certain modifications in the certified standing order for the workmen under the Industrial Employment (Standing Orders) Act, 1946 before the Labour Commissioner, Chandigarh for adopting these orders in accordance with the provisions of the Industrial Employment Act. The Labour Commissioner passed an order dated May 29, 1999 against which an appeal was filed by the workers union, Dulhasti before the Appellate Authority/Joint Chief Labour Commissioner who passed an order dated March 31, 2005 making a number of modifications in the certified standing orders. Aggrieved by which, our Company filed a writ petition (No. 6175-76 of 2006) dated March 23, 2006 in the Delhi High Court. The case is currently pending.
- (d) Our Company drafted and submitted a standing order for certification under the Industrial Employment (Standing Orders) Act, 1946 before the Labour Commissioner and for adopting these orders in accordance with the provisions of the Industrial Employment Act. The Labour Commissioner passed an order dated May 18, 2001 against which the NHPC Employee Union, Baira Siul project, Chamba, Himachal Pradesh had filed an appeal against the certification of standing orders dated May 18, 2001 issued by the certifying officer and Regional Labour Commissioner before the Appellate Authority and the Joint Chief Labour Commissioner. The Appellate Authority, by its order dated March 31, 2005, made a number of modifications in the certified standing orders. Aggrieved by which our Company has filed a writ petition (No.379-80 of 2006) against this order in the Delhi High Court. The matter is currently pending.
- (e) Our Company drafted and submitted a standing order for certification for the workmen under the Industrial Employment (Standing Orders) Act, 1946 before the Labour Commissioner for adopting these orders in accordance with the provisions of the Industrial Employment Act. The Labour Commissioner by an order dated June 17, 1999 issued the order of certification of modifying standing orders against which the NHPC Employee Union, Chamera hydroelectric project had filed an appeal before the Appellate

Authority and the Joint Chief Labour Commissioner. The Appellate Authority, by its order dated March 31, 2005, made a number of modifications in the certified standing orders. Aggrieved by the order our Company has filed a writ petition (No. 386-87 of 2006) through an affidavit dated December 14, 2005 against the said order in the Delhi High Court. The matter is currently pending.

III. CASES INVOLVING OUR SUBSIDIARY

Land-related Proceedings

NHDC, our Subsidiary has acquired land for various purposes including offices, residential colony and project structure, for the Indira Sagar and the Omkareshwar projects. In this regard, as on July 31, 2008 there are 3,372 cases pending before various courts including at Khandwa, Madhya Pradesh. Majority of these proceedings relate to demands for enhanced compensation by land oustees. In these cases the land oustees have claimed compensation aggregating to approximately Rs. 20 crore. The project-wise details of these proceedings are set forth below:

- (a) Indira Sagar project: 2,155 proceedings are pending before various courts including fast track court at Khandwa, Madhya Pradesh in relation to land acquired for this project.
- (b) Omkareshwar project: 1,217 proceedings are pending before various courts including fast track court at Khandwa, Madhya Pradesh in relation to land acquired for this project.

Further, the courts have enhanced the compensation amount in an aggregate of 123 proceedings.

In addition to the above, 76 writ petitions have been filed before the Madhya Pradesh High Court in relation to enhancement of compensation for acquisition of land, of these 30 writ petitions have been decided and there are 46 writ petitions currently pending against NHDC. There are also four special leave petitions pending before the Supreme Court of India in relation to the issue of enhancement of compensation for acquisition of land.

Arbitration Proceedings

There are 12 arbitration proceedings filed against NHDC and the aggregate value of the claims against NHDC in these proceedings is approximately Rs.76.32 crore, plus interest. The details of the arbitration proceedings involving NHDC are set forth below:

- (a) M/s. RC Saxena has filed three cases viz., (MCC No. 1427/06, WP No. 3771/07) and (WP No. 4856/07) and prayed for appointment of an arbitrator to settle certain disputes, for full payment of running bills and to quash termination order respectively, arising out of a contract dated December 8, 2004 between the petitioner and NHDC,.
- (b) M/s. Jagdish Chand Gupta, Engineer and Contractor has filed three separate arbitration petitions before sole arbitrator, claiming Rs.1.37 crore, Rs.1.35 crore and Rs.1.53 crore, respectively, as payments due under agreement dated October 8, 2003 with respect to design and construction of double lane high level bridges across rivers Patal, Gorkhapacchar, and Kalimachak, respectively. NHDC filed three Applications to set aside the Awards passed by sole Arbitrator.
- (c) Mr. Surendra Kumar Jain has raised dispute before Arbitrator in relation to a contract for construction of certain fencing work for the Omkareshwar Project at Siddhwarkut, Khandwa. The applicant has claimed an aggregate sum of Rs.0.03 crore.
- (d) Jupiter International has filed two applications (Nos. 1995/06 and 2308/06) in the Madhya Pradesh High Court for appointment of an arbitrator to settle certain disputes arisen in

relation to a contract for construction of an administrative complex and executive field hostel at the Omkareshwar Project site at Siddhwarkut, Khandwa. The claimant has raised a claim for Rs.0.89 crore and Rs.12.65 crore respectively.

- (e) Jindal Enterprises raised dispute before arbitrator in relation to contract for air conditioning works at Switch Yard and Power House of ISPS. The claimant claims Rs.0.26 crore.
- (f) JP Associates raised, two disputes before Arbitrators for alleged increase in Seismic Co-efficiency and alleged modification in energy dissipation, both pertaining to OSP Dam claiming 19.6 crore and 50 crore respectively.

Labour Litigation

The details of the five labour-related legal proceedings amounting to Rs. 0.07 involving NHDC are set forth below:

- (a) NHDC has filed a (Writ Appeal No. 259/04) against the order dated March 16, 2004 of the single judge of in (WP No.6886/2002), directing NHDC to conduct an enquiry before withdrawing its offer of appointment.
- (b) Mr. Praful Kumar has filed a Petition No.12/06 before Commissioner for Workmen's Compensation, Indore against NHDC, for compensation of Rs. 0.07 crore under Workmen's Compensation Act, 1923, in relation to an accident that resulted in the death of petitioner's son at Omkareshwar Project site at Siddhwarkut, Khandwa.
- (c) ISP (Doobkshetra) Sangh filed (WP No. 15714/06) challenging appointment of Trainee workmen in NHDC. There is no monetary claim against NHDC in this matter.
- (d) Dr. R. Gupta, SMO, NHDC filed (WP No. 4892/07) challenging pay scale given to him. There is no monetary claim against NHDC in this matter.
- (e) Sh. Jitendra Srivastava Manager (HR) NHDC filed (WP No. 6222/08) claiming promotion as Sr. Manager (HR). There is no monetary claim against NHDC in this matter.

Other Civil Proceedings

- (a) The Narmada Ghati Visthapit Sangh has filed a writ petition (Writ Petition No. 27437/03) before the Madhya Pradesh High Court alleging that NHDC is legally obliged to construct the Khandwa- Mundi Road as per the timelines prescribed in the memorandum of understanding between NHDC and the government of Madhya Pradesh, but has failed to do perform the aforesaid obligation. There is no monetary claim against NHDC in this matter.
- (b) Shri Vikram Srivastav filed Suit (No. 345/06) for alleged encroachment on suit property at NHDC Guest House. There is no monetary claim against NHDC in this matter.

IV. MATERIAL DEVELOPMENTS

Except as stated in “*Management’s Discussions and Analysis of Financial Condition and Results of Operations*” on page 251, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Draft 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.

V. LITIGATION INVOLVING OUR DIRECTORS

Except for the case mentioned below, there are no pending adjudicatory, regulatory or arbitral proceedings involving any of our Directors as of the date of this Draft Red Herring Prospectus. Further, as of the date of this Draft Red Herring Prospectus, neither our Company nor any of our Directors have received any notices from any regulatory body or any other persons, with respect to any threatened or potential litigation or regulatory proceedings or investigations against them.

Mr. A.B.L. Srivastava, one of our Directors, has filed a civil writ petition (C.W.P. No. 17931 of 2006) before the High Court of Judicature at Allahabad, against UPFC and others, challenging the office order issued by the General Manager, UP Financial Corporation regarding no-transfer of cash equivalent as well as leave encashment with respect to the earned leave of 300 days, of the petitioner on his permanent absorption to Rural Electrification Corporation. The matter is currently pending and the next date of hearing has not yet been fixed.

VI. OTHER MATERIAL CONFIRMATIONS AND DISCLOSURES

Our Company, our Directors, our Promoter and companies 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 proceedings in relation to violations of securities laws committed by our Promoter in the past or currently pending against our Promoter.

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 this Issue or continue our business activities.

A. APPROVALS FOR THE ISSUE

Corporate Approvals

Our Board of Directors has, pursuant to resolutions passed at its meeting held on February 7, 2007 and March 13, 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, pursuant to a resolution dated March 13, 2007 under Section 81(1A) of the Companies Act, authorised the Issue.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on May 30, 2008, authorised our Company to take necessary action for filing of the Draft Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors and shareholders in their respective meetings.

Furthermore, our IPO committee has, pursuant to resolutions passed at its meeting held on June 13, 2008, authorised 2.50% of the Issue to be reserved in the Employee Reservation Portion.

Approvals from the MoP

The MoP has through letter No. 16/47/2001-DO (NHPC) dated January 8, 2007 granted approval for the initial public offering of 10% of the paid-up capital of our Company.

The MoP has through letter No. 16/47/2001-DO (NHPC) dated March 8, 2007 granted approval for disinvestment of 5% of the GoI shareholding in our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007 granted approval 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 the balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment.

Approvals from Lenders

The Indian Overseas Bank has, through letter dated June 19, 2008, granted its consent for change in the capital structure of our Company in respect of this Issue.

B. APPROVALS FOR PROJECTS

I. (A) Projects Under Construction

1. *Parbati II Hydroelectric Project, Kullu District, Himachal Pradesh (800 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	7/2/2002-DO(NHPC)	September 11, 2002	N.A.	Estimated cost of project of Rs. 3,919.59 crore including IDC of Rs. 811.84 crore.

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					Project to be completed in seven years from the date of approval. The expenditure on the project is to be met by our Company with a debt equity ratio of 70:30.
2.	In-principle forest clearance for diversion of 57.83 ha. of additional forest land from the MoEF	F.No. 8-77/96FC	December 23, 2003	N.A.	N.A.
3.	Formal forest clearance for diversion of 57.83 ha. additional forest land from the MoEF	F.No.8-77/96FC	March 17, 2004	N.A.	N.A.
4.	Diversion of additional forest land measuring 0.35 ha.	F.No. 8-77/96-FC (Part)	April 30, 2008	N.A.	State government shall charge net present value of the forest area diverted from our Company as per orders of the Supreme Court of India dated October 30, 2002 and August 1, 2003 in I.A. No. 566 in W.P. (C) No. 202/1995 and as per guidelines issued by the MoEF through letters dated September 18, 2003, September 22, 2003 and October 3, 2006. The Company to provide undertaking to pay additional net present value if so determined as per final decision of the Supreme Court of India.

2. *Sewa II Hydroelectric Project, Kathua District, Jammu and Kashmir (120 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP	26/1/2002-DO(NHPC)	September 9, 2003	N.A.	Estimated cost of project of Rs. 665.46 crore including IDC of Rs. 68.42 crore with a debt-equity ratio of 70:30.
2.	Diversion of additional forest land measuring 5.00 ha.	443 - Fst of 2004	October 11, 2004	N.A.	The forest land so diverted shall return to the Forest Department when it is not required by our Company, without any cost. Forest land so diverted shall not be mortgaged, reassigned or sub-leased by our Company to any other company.

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					Any damage done to the forests by our Company or its employees and contractors or people employed by them shall be charged from our Company at the rate of 10 times the standard rate of 1992.
3.	Diversion of additional forest land measuring 10.14 ha.	567 - Fst of 2006	October 26, 2006	N.A.	The proprietary status of the forest land shall remain unchanged. The forest land so diverted shall return to the Forest Department when it is not required by our Company, without any cost. Forest land so diverted shall not be mortgaged, reassigned or sub-leased by our Company to any other company. The Company to ensure obtaining environmental clearance of the overall projects if required as per the Environment (Protection) Act, 1986 ("EPA") before taking up execution of the work. Any damage done to the forests by our Company or its employees and contractors or people employed by them shall be charged from our Company at the rate of 10 times the standard rate of 1992. The Company shall pay the net present value of the forest land to the tune of Rs. 58,81,000 in Billawar Forest Division as calculated as per the Supreme Court order dated October 30, 2002 in IA No. 566 in writ petition (Civil) No. 202 of 1995 in T.N. Godavarman Thirumalkapad v. Union of India.

3. *Teesta Low Dam III, Hydroelectric Project, Darjeeling District, West Bengal (132 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	8/1/2003-DO (NHPC)	October 30, 2003	N.A.	Approval to set up the Teesta Low Dam Stage – III at an estimated cost of Rs. 768.92 crore including

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					IDC of Rs. 60.41 crore with a debt-equity ratio of 70:30. Schedule of completion revised to September 2008.
2.	Clearance for diversion of forest land of 302.49 ha. for construction of the project	F.No.8-34/2003-FC	April 7, 2004	N.A.	The legal status of land shall remain unchanged. The forest land diverted shall not be transferable.

4. *Subansiri Lower Hydroelectric Project, Lower Subansiri District, Arunachal Pradesh and Dhemaji District, Assam (2,000 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI.	11/1/2002-DO(NHPC) Vol. II	September 9, 2003	N.A.	Estimated cost of project of Rs. 6,285.33 crore including IDC of Rs. 670.92 crore. The project should be completed within a period of seven years from the date of approval of the GoI. The expenditure of the project is to be met with debt-equity ratio of 70:30.
2.	In-principle forest clearance for diversion of 260 ha forest land for quarrying.	8-100/2002-FC	May 19, 2004	N.A.	N.A.
3.	Approval from the MoEF for diversion of 3,999.30 ha of forest land for construction of the project.	8-100/2002-FC	October 12, 2004	N.A.	N.A.

5. *Uri II, Hydroelectric Project, Baramulla District, Jammu and Kashmir (240 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI.	22/14/2001-DO(NHPC)(Vol. II)	September 1, 2005	N.A.	Estimated cost of Rs. 1,724.79 crore including IDC and FC of Rs. 66.61 crore with a debt-equity ratio of 70:30. Project to be completed in 51 months from the date of approval.

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.

6. *Chamera III, Hydroelectric Project, Chamba District, Himachal Pradesh (231 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI.	10/3/2003-DO(NHPC)(Vol. II)	September 1, 2005	N.A.	Estimated cost of Rs. 1,405.63 crore including IDC and FC of Rs. 119.66 crore. Project is to be completed within five years from the date of sanction. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.
2.	Clearance from the MoEF, GoI for diversion of 96.145 ha of forest land for construction of the project.	F. No. 8-111/2002-FC	September 19, 2005	N.A.	N.A.

7. *Parbati Stage III, Hydroelectric project, District Kullu, Himachal Pradesh (520 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	7/1/2002-DO (NHPC)(Vol.II)	November 9, 2005	N.A.	Estimated cost of Rs. 2,304.56 crore including IDC and FC of Rs. 203.42 crore. The project is to be completed within a period of five years. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.

8. *Teesta Low Dam IV Hydroelectric Project, Darjeeling District, West Bengal (160 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	8/2/2003-DO (NHPC) (Vol. II)	September 30, 2005	N.A.	Estimated cost of Rs. 1,061.38 crore including IDC and FC of Rs. 69.71 crore. Schedule of completion is 48 months. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.
2.	Clearance for diversion of forest land of 338.05 ha for construction of the project.	F.NO.8-61/2004-FC	March 30, 2006	N.A.	N.A.

9. *Nimoo Bazgo Hydroelectric Project, Leh District, Ladakh (45 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval by the MoP, GoI.	33/1/2002-DO(NHPC)	August 24, 2006	N.A.	Estimated cost of project of Rs. 611.01 crore including IDC & FC charges of Rs. 7.34 crore. Project to be completed within 48 months from the date of sanction.

10. *Chutak, Hydroelectric Project, Kargil (Ladakh), Jammu and Kashmir (44 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval by the MoP, GoI.	22/10/2001-DO(NHPC) (Vol. II)	August 24, 2006	N.A.	Estimated cost of project of Rs. 621.26 crore including IDC and FC charges of Rs. 3.69 crore. Schedule of completion is 54 months.

11. *Kishan Ganga Hydroelectric Project, Baramulla District, Jammu and Kashmir (330 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Projects implementation/execution approval by the MoP, GoI*	13/2/2000-DO(NHPC)Vol. V	July 20, 2007	N.A	Estimated total cost of Rs. 2,238.67 crore including IDC & FC charges of Rs. 165.12 crore.

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					Project to be completed within a period of seven years from the date of sanction of the project by the GoI.

** Post negotiation with the lowest bidder, our Company has proposed revision of the cost estimate of the project, in view of the price bids received for the execution of the project being high. The increase in cost requires appraisal by PIB and a fresh sanction by CCEA. The Company has made an application to the PIB, post which it shall be forwarded to CCEA.*

II (A). APPROVALS FOR PROJECTS AWAITING CLEARANCES

1. Pakal Dul Hydroelectric Project, Doda District, Jammu and Kashmir(1,000 MW)

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation and survey.	No J-12011/5/2001-IA-I	July 26, 2001	N.A.	Status of high altitude national park in Kishtwar should be intimated.
2.	Site clearance (Stage II).	No. J-12011/5/2001-IA-I	April 29, 2002	N.A.	Company to obtain approval for executing the project from the Supreme Court since the project lies in the Kishtwar High Altitude National Park.
3.	Government Order from the Commissioner, Forest Department, Jammu and Kashmir granting permission for diversion of forest land measuring 888.32 ha of Marwah Forest for the project.	Government Order No. 253/FST of 2005.	June 16, 2005	N.A.	N.A.
4.	Indus Water Clearance from the Ministry of Water Resources (Indus Wing) under the Indus Water Treaty 1960 Angle.	No. 3/1/2006-IT/763	March 23, 2006	N.A.	N.A.
5.	TEA Approval from the CEA.	No. 2/NHPC/27/01-CEA/PAC/400/428	October 3, 2006		Company to obtain clearance from the Indian Board of Wild Life and Supreme Court regarding diversion of forest land falling under Kishtwar High Altitude National Park. In case the time gap between the TEA and actual start of work is three years or more, a fresh TEA shall be obtained.

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					CEA reserves the right to revoke the TEC if conditions are not complied with.
6.	Environmental clearance from the MoEF, GoI	J-12011/51/2007-IA	February 29, 2008		Valid for a period of ten years from the date of issue of this letter for the commencement of the construction work.

2. *Kotlibhel Stage- IA, Hydroelectric Project, Pauri and Tehri District, Uttarakhand (195 MW).*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage-I) from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-Principle Approval from the Planning Commission for implementation of the project.	I-22/2/34/2003/P&E	February 8, 2005	N.A.	N.A.
3.	Site clearance (Stage-II) from the MoEF, GoI	12011/32/12003-IA.I	May 9, 2005	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC Approval from the CEA	2/NHPC/50/05-CEA/PAC/429-1459	October 3, 2006	N.A.	NHPC shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river between India and Bangladesh. Company to sign PPA within six months. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained. Authority reserves the right to revoke the TEC if conditions are not complied with.
6.	Defence clearance from	21(21)/2006 D	June 22,		Height of proposed

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
	the Ministry of Defence, GoI	(Coord)	2007		concrete dam shall not exceed 70.5 meters AGL and 626 meters AMSL
7.	Environmental clearance from the MoEF, GoI	J-12011/5/2007-IA.I	May 9, 2007		Valid for a period of five years from the date of issue of this letter for commencement of construction work.

3. *Kotlibhel Stage IB Hydroelectric Project, Pauri and Tehri District, Uttarakhand (320 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Stage-I clearance from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-principle approval from the Planning Commission for implementation of the project.	I-22/2/16/2005/P&E	February 10, 2005	N.A.	N.A.
3.	Site clearance (Stage II) for the Kotlibhel Hydro Electric Project in district Pauri and Tehri Garhwal, Uttarakhand from the MoEF, GoI.	J-12011/33/2003-IA.I	June 15, 2005	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC clearance from the CEA, GoI.	2/NHPC/49/05-CEA/PAC/1564-95	October 31, 2006	N.A.	NHPC shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river between India and Bangladesh. Company to sign PPA within six months. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained. Authority reserves the right to revoke the TEC if conditions are not

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					complied with.
6.	Environmental clearance from the MoEF, GoI	J-12011/21/2007-IA.I	August 14, 2007		Valid for a period of 10 years from date of issue of this letter for commencement of construction work
7.	Defence clearance from the Ministry of Defence, GoI	21(21)/2006 D (Coord)	June 22, 2007		Height of proposed concrete dam shall not exceed 70.5 meters AGL and 626 meters AMSL

4. *Kotlibhel Stage II, Hydroelectric Project, Pauri and Tehri District, Uttarakhand (530 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Stage-I clearance from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report-for all three projects.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-principle approval from the Planning Commission, GoI for implementation of the project.	I-22/2/21/2005/P&E	June 1, 2005	N.A.	Clearance of MoEF and State Pollution Control Board after proper public hearing to be obtained.
3.	Site clearance for investigation and survey (Stage II) from the MoEF, GoI.	J-12011/34/2003.IA.I	February 13, 2006	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC Approval from the CEA.	2/NHPC/51/05-CEA/PAC/1771-1801	November 30, 2006	N.A.	NHPC shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river which is an international river between India and Bangladesh. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained. Authority reserves the right to revoke the TEC if conditions are not

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					complied with.
6.	Defence clearance from the Ministry of Defence, GoI	21(21)/2006 D (Coord)	June 22, 2007		Height of proposed concrete dam shall not exceed 70.5 meters AGL and 626 meters AMSL
7.	Environmental clearance from the MoEF, GoI	J-12011/49/2007-IA.I	August 23, 2007		Valid for a period of 10 years from date of issue of this letter for commencement of construction work

5. *Dibang Hydroelectric Project, Lower Dibang Valley District, Arunachal Pradesh (3,000 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI for investigation and survey.	J.12011/3/2002-IA-I	January 28, 2004	N.A.	N.A.
2.	Site clearance (Stage II) from the MoEF, GoI for investigation and survey.	J-12011/3/2003-IA-I	December 24, 2004	N.A.	N.A.
3.	TEC approval from the CEA, GoI	2/NHPC/52-CEA/05-PAC/73-100	January 23, 2008	-	In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained. Authority reserves the right to revoke the TEC if conditions are not complied with.

6. *Loktak Downstream Hydroelectric Project, Manipur (66 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	TEC Approval from the CEA, GoI.	2/NHPC/22/98-CEA/	November 15, 2006	N.A.	In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained. Authority reserves the right to revoke the TEC if conditions are not complied with.
2.	Clearance from the MoEF, GoI for pre-construction activities	J.12011/17/2007-IA.I	August 20, 2007	N.A.	N.A.

7. *Teesta IV, Hydroelectric Project, North Sikkim District, Sikkim (520 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I and II) from the MoEF, GoI for investigation and survey.	J-12011/22/2005-IAI.	October 6, 2005	N.A.	N.A.

8. *Vyasi (stand alone basis) Hydroelectric Project, Uttarakhand (120 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Environmental Clearance from the MoEF, GoI.	No. J-12011/48/2007-IA.I	September 7, 2007		Valid for a period of 10 years from the date of issue of this letter for the commencement of the construction work.

III. (A) Approvals for projects under survey and investigation

1. *Bursar Hydroelectric Project, Doda District, Jammu and Kashmir (1,020 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI for investigation and survey.	J-12011/14/2001-IA-I	July 26, 2001	N.A.	N.A.
2.	Site clearance (Stage II) from the MoEF according site clearance for investigation and survey.	J-12011/14/2001-IA-I	May 14, 2002	N.A.	Company to get the approval of the Supreme Court before executing the project since it is located at Kistwar High Altitude National Park which area has been notified under Section 35 of the Wildlife Protection Act, 1972.

2. *Upper Subansiri (2,000 MW) & Middle Subansari, Arunachal Pradesh (1,600 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation and survey from the MoEF, GoI.	J-12011/17/2000-IA-I	November 30, 2000	N.A.	N.A.

3. *Chungar Chal Hydroelectric Project, Pithoragarh District, Uttarakhand (240 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation	J-12011/61/2005-	November 11, 2005	N.A.	Clearance of the Steering Committee of Indian Wild Life

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
	and survey from the MoEF, GoI.	IA.I			Board to be taken in case area of the project falls within the Askot Musk Deer Sanctuary.

4. *Lachen Hydroelectric Project, North Sikkim District, Sikkim (210 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI, according site clearance for investigation and survey.	J-12011/82/2005-I.A.I	February 27, 2006	N.A.	N.A.

5. *Tawang Stage I, Hydroelectric Project, Tawang District, Arunachal Pradesh (750 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Clearance for pre-construction activities along with terms of reference for the Environmental Impact Assessment studies.	J-12011/54/2006-I.A.I	December 8, 2006	N.A.	N.A.

6. *Tawang Stage II, Hydroelectric Project, Tawang District, Arunachal Pradesh (750 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Clearance for pre-construction activities along with terms of reference for the Environmental Impact Assessment studies.	J-12011/54/2006-I.A.I	December 8, 2006	N.A.	N.A.

III. (B) Approvals pending in relation to projects under survey and investigation

1. *Kharmoli Lumti Tulli, Uttarakhand (55 MW)*

We have made an application dated January 1, 2006 to the Additional Director, MoEF, GoI vide Letter No NH/PD/Env.137/339 for Stage I site clearance for survey and investigation. The MoEF vide its letter no. J-12011/7/2006-IA-I, dated February 23, 2006 has requested us to seek clearance from the steering committee of the Indian Wildlife Board for locating the project within the Askot Musk Deer Sanctuary. We are in process of applying for the same.

2. *Garba Tawaghat, Uttarakhand (630 MW)*

We have made an application dated October 20, 2005 to the Additional Director, MoEF, GoI vide Letter No. NH/PD/Env.137/2841 for Stage I site clearance for survey and investigation. The MoEF vide its letter no. J-12011/76/2005-IA-I, dated November 18, 2005 has requested us to seek clearance from the steering committee of the Indian Wild life Board for locating the project within the Askot Musk Deer Sanctuary. We are in process of applying for the same.

IV. Miscellaneous approvals for our business

We require various approvals for us to carry on our business in India. The approvals that we require include the following:

- (i) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961.
- (ii) Certificate of Registration under the Central Sales Tax Act, 1956.
- (iii) Certificate of Registration under the Sales Tax Acts of the various states in India.
- (iv) Registration for payment of service tax in various locations in India where our consultancy services are being offered.
- (v) Certificate of Registration as an employer for payment of professional tax applicable to various professions, trades, callings and employments, as applicable in various states.
- (vi) Grant of licenses to store explosives from the Department of Explosives, GoI.
- (vii) Certificate of Registration under the requisite value added tax legislations applicable in various states in India.

We have obtained the above approvals for our commissioned projects and our offices at various locations in India and the same are valid as of the date of filing of this Draft Red Herring Prospectus. Some of these have expired in the ordinary course of business and applications for renewal of these approvals have been submitted upon expiry.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Corporate Approvals

Our Board of Directors has, pursuant to resolutions passed at its meeting held on February 7, 2007 and March 13, 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, pursuant to a resolution dated March 13, 2007 under Section 81(1A) of the Companies Act, authorised the Issue.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on May 30, 2008, authorised our Company to take necessary action for filing of the Draft Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors and shareholders in their respective meetings.

Furthermore, our IPO committee has, pursuant to resolutions passed at its meeting held on June 13, 2008, authorised 2.50% of the Issue to be reserved in the Employee Reservation Portion.

Approvals from the MoP

The MoP has through letter no. 16/47/2001-DO (NHPC) dated January 8, 2007 granted approval for the initial public offering of 10% of the paid-up capital of our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 8, 2007 granted approval for disinvestment of 5% of the GoI shareholding in our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007 granted approval 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 the balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment.

Approvals from Lenders

The Indian Overseas Bank has, through letter dated June 19, 2008, granted its consent for change in the capital structure of our Company in respect of this Issue.

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 proceedings in relation to violations of securities laws committed by our Promoter in the past or currently pending against our Promoter.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as:

- We have net tangible assets of at least Rs. 3 crore 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. 1 crore in each of the three preceding full years;
- 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;
- We have changed our name within the last one year but we continue to earn the majority of our revenue from the same business as prior to change in our name.
- The Issue size of up to Rs. [•] crore along with the previous issues of Equity Shares in this Fiscal 2008 aggregates to Rs. [•] crore. The said aggregate, i.e., Rs. [•] crore, does not exceed five times the pre-Issue net worth as per the last audited accounts for Fiscal 2008 which is Rs. 17,221.82 crore and Rs. 17,647.51 crore as per the Restated Unconsolidated Financial Statements and Restated Consolidated Financial Statements respectively (i.e., 5 x Rs. [•] crore = Rs. [•] crore).

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. 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's net profit, dividend, net worth, net tangible assets and monetary assets for the last five years from Fiscal 2004 through Fiscal 2008 based on our restated standalone and consolidated financial statements, are set forth below:

As per our Restated Unconsolidated Financial Statements

(Rs. in crore)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Net tangible Assets ⁽¹⁾	12,328.73	14,106.78	15,218.87	16,486.37	17,221.46
Monetary Assets ⁽²⁾	174.37	311.68	542.20	466.90	1,841.27
Net Profits, after tax, as restated	638.68	633.05	748.08	945.97	1,085.16
Net Worth	12,329.09	14,107.14	15,219.23	16,486.73	17,221.82
Dividends	120.00	140.00	223.00	278.00	300.00

As per our Restated Consolidated Financial Statements

(Rs. in crore)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Net tangible Assets ⁽¹⁾	12,324.94	14,148.03	15,389.81	16,773.47	17,647.15
Monetary Assets ⁽²⁾	833.20	973.55	892.78	816.29	2,345.87
Net Profits, after tax, after minority interest, as restated	635.80	678.56	879.29	1,068.07	1,232.31
Net Worth	12,325.30	14,148.39	15,390.17	16,773.83	17,647.51
Dividends	120	140	223	278	300

- (1) Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves and intangible assets), trade investments, current assets less current liabilities (excluding long term liabilities) and net of provision for diminution in value.
- (2) Monetary assets include cash on hand and with bank and liquid investments including units in open ended mutual fund schemes at cost.

For further information, see “*Financial Statements*” on page 148.

No exemption from eligibility norms has been sought under Clause 2.4 of the SEBI Guidelines, with respect to the Issue. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT 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 DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM SECURITIES PRIVATE LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT 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 DRAFT 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 SECURITIES PRIVATE LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 5, 2008 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 MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO 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 DRAFT 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 THE SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE DRAFT 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 AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

- (III) WE CONFIRM THAT BESIDES ENAM SECURITIES PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID. PLEASE NOTE, HOWEVER, THAT THE SEBI REGISTRATION OF ONE OF THE BOOK RUNNING LEAD MANAGERS TO THE ISSUE, SBI CAPITAL MARKETS LIMITED WAS VALID UP TO JULY 31, 2008. THE APPLICATION FOR RENEWAL OF THE CERTIFICATE OF REGISTRATION IN THE PRESCRIBED MANNER HAS BEEN MADE BY SBI CAPITAL MARKETS LIMITED ON APRIL 29, 2008, TO SEBI, THREE MONTHS BEFORE THE EXPIRY OF THE PERIOD OF THE CERTIFICATE AS REQUIRED UNDER REGULATION 9(1) OF THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992. THE APPROVAL OF SEBI IN THIS REGARD IS CURRENTLY AWAITED. WE SHALL PROVIDE THE UPDATED STATUS IN THIS REGARD IN THE RED HERRING PROSPECTUS.
- (IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR 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 OF DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (VI) WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO

SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

- (VII) WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE.
- (VIII) WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER – NOT APPLICABLE.
- (IX) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (X) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
- (XI) WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.
- (XII) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE.

(XIII) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:

- (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND**
- (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.”**

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. 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. The filing of the Draft 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 Draft Red Herring Prospectus.

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 Draft 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.nhpcindia.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 MoU entered into among the BRLMs, the Selling Shareholder and the Company dated March 30, 2007 and the amendment agreement dated August 4, 2008 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.

Our Company, the Selling Shareholder, the BRLMs shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. The Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

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 Draft 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 Draft 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 Draft 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 Draft 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 Draft 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 both “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 this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letters No. [●] dated [●] permission to us to use NSE’s name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to our 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 10 crore and the market capitalization shall not be less than Rs 25 crore at the time of listing). The NSE has scrutinised this 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 this 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 this 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 this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter No. [●] dated [●], permission to the Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this 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 this 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 this 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 this Draft Red Herring Prospectus has been filed with SEBI at the Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C – 4A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India.

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 [●] 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 Draft 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 date of allotment for the Issue.

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.”

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the IPO Grading Agency, the Legal Advisors, the Bankers to the Issue; 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/will be 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 will not be/have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

M/s GSA & Associates, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except for the report of ICRA Limited in respect of the IPO Grading of this Issue (a copy of which report will be annexed to the Red Herring Prospectus), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and updated at the time of filing of the Red Herring Prospectus with the RoC, and except for the reports of the Auditors of our Company on the Restated Consolidated Financial Statements, Restated Unconsolidated Financial Statements and Statement of Tax Benefits, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Issue Expenses

The expenses for this Issue include lead management fees, underwriting and selling commission, advertisement and marketing expenses, printing and distribution expenses, IPO Grading expenses, legal fees, registrar fees, SEBI filing fees, bidding software expenses, depository charges and listing fees to the Stock Exchanges. The details of the estimated Issue expenses are set forth below.

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]
Underwriting and selling commission*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
IPO Grading expenses*	[●]	[●]	[●]
Others (Legal fees, SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.)*	[●]	[●]	[●]
Total	[●]	[●]	[●]

*Will be incorporated at the time of filing of the Prospectus.

Lead managers', registrars', depositories' and legal fees and expenses, bidding software and printing charges, shall be proportionately shared between the Company and the GoI, and the remaining expenses shall be borne by our Company out of the Net Proceeds of the Fresh Issue.

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 MoU signed with our Company and the Selling Shareholder, a copy of which is available for inspection at the registered office of our Company.

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 our Company during the last five years.

Issues otherwise than for Cash

Except for issuance of 6,29,529 equity shares (having a face value of Rs. 1,000) on February 28, 1978 and allotment of one equity share (having a face value of Rs. 1,000) (partly for other than cash) on August 6, 1980 to the President of India acting through MoP, GoI, we have not issued any equity shares for consideration otherwise than for cash. For further information, see "**Capital Structure**" on page 25.

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 our Subsidiary, details of which are provided in “*History and Certain Corporate Matters*” on page 113.

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 Subsidiary is unlisted and has not made a public issue of shares.

However, our associate company, PTC India Limited made an initial public offer in March, 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC India Limited. The issue proceeds have been utilized for the said purpose. Further, PTC has allotted 7, 74, 19,000 equity shares of Rs. 10 each at the issue price of Rs. 155 per equity share aggregating an issue size of Rs. 11,99,99,45,000 in favour of QIBs on January 15, 2008 as per Chapter XIII-A of SEBI Guidelines.

Outstanding Debentures or Bonds

Except as described in the sections titled “*Financial Statements*” and “*Financial Indebtedness*” on pages 148 and 241, respectively, our Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

There are no outstanding preference shares issued by our Company

Partly Paid-Up Shares

There are no partly paid-up Equity Shares of 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 our Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The MoU 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 Mr. Vijay Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

NHPC Office Complex
Sector - 33, Faridabad 121 003
Haryana, India
Attn: Mr. Vijay Gupta
Tel: +91 129 227 8421
Fax: +91 129 227 7941
E-mail: companysecretary@nhpc.nic.in

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

Except our Subsidiary, 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

The following are the details of the changes in auditors in the last five fiscal years:

S. No.	Name of Auditor	Date of Appointment	Reason for change
1.	M/s. GSA & Associates, Chartered Accountants (Formerly known as Surendar K. Jain & Co.)	July 3, 2006	Appointment as statutory auditor
2.	M/s. Batra Sapra & Co, Chartered Accountants	August 22, 2005	Appointment as statutory auditor

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 its incorporation.

SECTION VII – ISSUE RELATED INFORMATION

ISSUE STRUCTURE

The present Issue of 1,67,73,74,015 Equity Shares consists of a Fresh Issue of 1,11,82,49,343 Equity Shares and an Offer for Sale of 55,91,24,672 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] crore is being made through the Book Building Process. The Issue comprises a Net Issue of 1,63,54,39,665 Equity Shares and a reservation for Eligible Employees of 4,19,34,350 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.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Up to 4,19,34,350 Equity Shares.	At least 98,12,63,799 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to 16,35,43,966 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 49,06,31,900 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 2.50% of the Issue. **	At least 60% of Net Issue.	Up to 10% of Net Issue.	Up to 30% of Net Issue.
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	[●] Equity Shares.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Employee Reservation Portion and subject to the maximum bid by each Eligible Employee in this portion being Rs. 0.25 crore.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 1,00,000.
Mode of Allotment	Compulsorily in dematerialised	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	form.			
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply ***	All or any of the following: (a) a permanent employee of our Company as of the date of the Red Herring Prospectus and based, working and present in India as on the date of submission of the Bid cum Application Form; (b) a whole time Director of our Company as of the date of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; (c) an employee as defined in (a) and (b) above of a subsidiary, based, working and present in India as on the date of submission of the Bid cum Application Form; and For the purpose of this definition, an employee who is recruited against regular vacancy but is on probation as on the date of submission of the Bid cum	Public financial institutions specified in section 4A of the Companies Act, FIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, FVCIs, 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. 25 crore, pension funds with a minimum corpus of Rs. 25 crore and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts.	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	Application Form will also be deemed as a permanent employee.			
Terms of Payment	Margin Amount applicable to Eligible 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.	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 60% 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 Eligible Employees would be included in the Net Issue and allocated in accordance with the description in the section titled “ **Issue Procedure – Basis of Allocation**” on page 365. The unsubscribed portion, if any, in the Net Issue shall be allowed to be met with spill-over to the extent of such under subscription from the Employee Reservation Portion.*

**** 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 and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Fresh Issue and the Offer for Sale, respectively, at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

The Issue is subject to our Company obtaining final listing and trading approvals from final RoC approval.

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% 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 issued 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	 ●
BID/ISSUE CLOSES ON	 ●

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 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 only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and 5.00 p.m. in case of Bids by Retail Individual Bidders and Eligible Employees where the Bid Amount is up to Rs. 1,00,000 (which may be extended from time to time by the Stock Exchanges at the request of the BRLMs). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the BRLMs and the Syndicate Member shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

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.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding a total of 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 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 this Draft Red Herring Prospectus, 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 laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

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* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

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 face value of Equity Shares is Rs. 10 each. The Floor Price of Equity Shares being issued in terms of the Red Herring Prospectus is Rs. [•] per Equity Share and the Cap Price is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

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;
- Right to receive surplus on liquidation;
- 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 “*Main Provisions of Articles of Association of the Company*” on page 375.

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 [•] Equity Shares subject to a minimum Allotment of [•] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

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 to:

- a. register himself or herself as the holder of the Equity Shares; or
- b. 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 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.

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 60% of the Net Issue to QIBs, we shall refund the entire application money.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. See further details, see “*Main Provisions of our Articles of Association*” of the Company on page 375.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

As per RBI regulations, OCBs cannot participate in the Issue.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be available for allocation to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, 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 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 30% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders, and up to 10% 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. In addition, up to 2.50% of the Issue shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company and the Selling Shareholder, in consultation with BRLMs, may reject the 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 the 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
Non Residents, Eligible NRIs or FIIs 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 or 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. FVCI;
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. 25 crore and who are authorized under their constitution to invest in equity shares;
17. Pension funds with a minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in equity shares;
18. The National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India; and
19. Eligible Employees of the Company.

Participation by Associates of BRLMs and Syndicate Members:

Associates of BRLMs and Syndicate Members may bid for 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 for the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure 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 [●] Equity Shares and in multiples of [●] Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 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. 1,00,000 and in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the Issue size. 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. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 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 Draft Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under “*Payment of Refund*” on page 370.

- (c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid by an Eligible Employee cannot exceed Rs. 0.25 crore.

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 Bid/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 Bidding Period not exceeding a total of 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 “*Issue Procedure - Bids at Different Price Levels*” below) 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 “*Issue Procedure - Build up of the Book and Revision of Bids*” below.
- (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 Draft Red Herring Prospectus.

- (g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under “*Issue Procedure - Terms of Payment*” on page 348.

Bids at different price levels

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
- (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 Bid/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. 1,00,000 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. 1,00,000 and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- (f) Retail Individual Bidders who bid at Cut-off Price and Eligible 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 Eligible 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 Eligible 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 and Eligible Employee 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 Eligible 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. 1,00,000 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. 1,00,000, the Bid by a Retail Individual Bidder will

be considered for allocation under the Non-Institutional Portion in terms of this Draft 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 Eligible 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.

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 4,90,63,190 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.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft 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.

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 our 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 equity capital. In respect of an FII investing in the 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. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of our Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, and pursuant to SEBI's press release number 286 of 2007 dated October 25, 2007, foreign institutional investors as defined under SEBI Guidelines ("FIIs"), may issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against the Equity Shares allocated in this Issue (all such off-shore derivative instruments referred to as "**P-Notes**"). P-Notes may only be held in favor of entities that are regulated by regulatory authorities in their countries of incorporation or establishment, subject to "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.

Any P-Notes that may be issued are not the securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations or claims on the BRLMs.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Bids the 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 exceeds 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 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 “**Issue Procedure - Payment Instructions**” on page 359) 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 Eligible 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 “**Issue Structure**” on page 334. 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.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company and the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

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 Bid/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. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not be uploaded may not be considered for allocation.
- (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);
 - 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; and
 - Depository participant identification no. and client identification no. of the Bidder's beneficiary account.
- (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) 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 Promoter, 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 this Draft 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 this 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) 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 “-*grounds for technical rejection*” on page 363.
- (j) 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 Bid/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 Bid/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 decision of the BRLMs based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

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” and the number of Equity Shares to be allocated in each investor category.
- (c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and this Draft Red Herring Prospectus and in consultation with Designated Stock Exchange.
- (d) In case of over subscription in all categories, at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, 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 4,90,63,190 Equity 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, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% 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 60% 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) Our Company and the Selling Shareholder in consultation with the BRLMs, 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.

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 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 our 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;

- (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; and
- (d) The issuance of CAN is subject to ***“Notice to QIBs: Allotment Reconciliation and Revised CANs”*** as set forth herein.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Notice to QIBs: Allotment Reconciliation and Revised CANs

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.

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.

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 68 centres where clearing houses are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur 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;
- Dispatch of refund orders shall be done 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.
- b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.
- c) Ensure that your bid is within the price band.
- 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 issued 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) Each bidder should mention their Permanent Account Number (“PAN”) allotted under the I.T Act.
- 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. 1,00,000).
- (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.
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.
- (i) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.
- (j) Do not bid at amount exceeding Rs. 1,00,000 in case of a Bid by a Retail Individual Bidder

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 or blue or pink colour).
- (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.

- (d) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] Equity Shares such that the Bid Amount exceeds Rs. 1,00,000. 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) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares in multiples of [●] thereafter.
- (g) 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.

Our Company and the Selling Shareholder 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 Bid-cum-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\$ 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 or the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

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.

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 DP ID and the beneficiary account number, then such Bids are liable to be rejected.

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. 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 our 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 the 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 reject such Bids in whole or in part.

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 reject such Bid in whole or in part.

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 Eligible Employees

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Eligible 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 Eligible Employees.
- Only Eligible 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.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 1,00,000.
- The maximum Bid by an Eligible Employee cannot exceed Rs. 0.25 crore.
- Bid by Eligible 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 4,19,34,350 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible 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 4,19,34,350 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 "*Issue Procedure- Basis of Allocation*" on page 365.

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. 25 crore and pension funds with minimum corpus of Rs. 25 crore, 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.

Bids by Non Residents, including Eligible NRIs, FIIs and FVCIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of [●] that the Bid Amount exceeds Rs. 1,00,000. For further information, see “*Issue Procedure - Maximum and Minimum Bid Size*” on page 343.
4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, 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 U.S. 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 Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

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 with other categories for the purpose of allocation.

As per the existing policy of the GoI, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

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 – NHPC Public Issue-QIB-R”**
 - (b) In case of Non Resident QIB Bidders: **“Escrow Account - NHPC Public Issue-QIB-NR”**
 - (c) In case of resident Bidders: **“Escrow Account – NHPC Public Issue-R”**
 - (d) In case of Non Resident Bidders: **“Escrow Account – NHPC Public Issue-NR”**
 - (e) In case of Eligible Employees: **“Escrow Account – NHPC Public Issue-Employee”**

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.

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) 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.

- (ix) 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.
- (x) 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 RBI'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.

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.

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 with the same name and age will be accumulated and taken to a separate process file as probable multiple master.

2. In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for same or identical DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

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 Eligible 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.

‘PAN’ or ‘GIR’ Number

Pursuant to the circular MRD/DoP/Circ-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 the transaction w.e.f. July 2, 2007. Each of the Bidders, should mention his/her PAN allotted under the IT Act. **Applications without this information 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.

Unique Identification Number (“UIN”)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1,00,000 to Rs. 5,00,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 5,00,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. On June 25, 2007, SEBI has decided to discontinue with the requirement of UIN under the SEBI MAPIN Regulation.

Right to Reject Bids

In case of QIB Bidders, our 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, our 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.

GROUND 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, or GIR number furnished instead of PAN.** See "*Issue Procedure - PAN or GIR Number*" on page 362;
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;
11. Bids for number of Equity Shares, which are not in multiples of [●];
12. Category not ticked;
13. Multiple Bids as defined in this Draft 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 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 "*Issue Procedure – Bids at Different Price Levels*" on page 345;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are both "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;
25. Bids by employees of our Company or Directors of our Company not eligible to apply in the Employee Reservation Portion;
26. Bids under the Employee Reservation Portion for amounts greater than Rs. 0.25 crore.

27. In case of Bid cum Application forms are not available with Registrar to the Issue for reasons such as *force majeure*, acts of god, flood or similar circumstances;
28. Bids not uploaded in the book would be rejected; and
29. Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000, uploaded after 3.00 p.m. or any such time as prescribed by Stock Exchanges 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 October 10, 2007 between NSDL, us and Registrar to the Issue;
- b) an agreement dated July 6, 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 Mr. Vijay Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

NHPC Office Complex
Sector - 33, Faridabad 121 003
Haryana, India
Tel: +91 129 227 8421
Fax: +91 129 227 7941
E-mail: companysecretary@nhpc.nic.in

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
- (c) 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 49,06,31,900 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 49,06,31,900 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of 1 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 16,35,43,966 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 16,35,43,966 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of 1 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 4,90,63,190 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 4,90,63,190 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 60% of the Net Issue size, i.e. 98,12,63,799 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 allocation to QIB Bidders shall be made on a proportionate basis of up to [●] Equity Shares up to a minimum of [●] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Employee Reservation Portion

- Bids received from the Eligible 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 Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,19,34,350 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 4,19,34,350 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares up to a minimum of [●] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Method of Proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (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.

In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [●] 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.

If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (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.

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 balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. 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

S. No	Particulars	Issue details
1	Issue size	20 crore Equity Shares
2	Allocation to QIB (60%)	12 crore Equity Shares
	Of which:	
	a. Allocation to Mutual Funds (5%)	0.6 crore Equity Shares
	b. Balance for all QIBs including Mutual Funds	11.4 crore Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	50 crore Equity Shares

B. Details of QIB Bids

S. No	Type of QIB bidders#	No. of shares bid for (in crore)
1	A1	5
2	A2	2
3	A3	13
4	A4	5
5	A5	5

S. No	Type of QIB bidders#	No. of shares bid for (in crore)
6	MF1	4
7	MF2	4
8	MF3	8
9	MF4	2
10	MF5	2
	TOTAL	50

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

Type of QIB bidders	Shares bid for	Allocation of 0.60 crore Equity Shares to MF proportionately (see note 2 below)	(Number of equity shares in crore)	
			Allocation of balance 11.40 crore Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	5	0	1.14	0
A2	2	0	0.46	0
A3	13	0	2.96	0
A4	5	0	1.14	0
A5	5	0	1.14	0
MF1	4	0.12	0.91	1.03
MF2	4	0.12	0.91	1.03
MF3	8	0.24	1.82	2.06
MF4	2	0.06	0.46	0.52
MF5	2	0.06	0.46	0.52
	50	0.60	11.4	5.16

Note:

- The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in “**Issue Structure**” on page 334.
- Out of 12 crore Equity Shares allocated to QIBs, 0.60 crore (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 20 shares in the QIB Portion.
- The balance 11.40 crore Equity Shares [i.e. 12 – 0.60 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 50 Equity Shares (including 5 Mutual Fund applicants who applied for 20 Equity Shares).
- The figures in the fourth column titled “Allocation of balance 11.40 crore Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 11.40/49.40
 - 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 11.40/49.40

3. The numerator and denominator for arriving at allocation of 11.40 crore Equity Shares to the 10 QIBs are reduced by 0.60 crore 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 68 centres where clearing houses are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur 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, 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, 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 date of allotment.

Payment of Refunds

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 issued 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. 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 our 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 belowmentioned 15 centres and whose refund amount exceeds Rs. 0.1 crore, 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 68 centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Vishakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). 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 68 centres.

Note: We expect that all payments including where refund amounts exceed Rs. 10,00,000 (Rs. 0.1 crore) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 10,00,000 (Rs. 0.1 crore), 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 68 centres where the clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur 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 along with 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 date 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 all the successful Bidders including NRIs shall be dispatched within specified time;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.; and
- that we shall adhere to the disclosure and accounting norms specified by SEBI or the Stock Exchanges from time to time.

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 date 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;
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.; and
- 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.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Fresh 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 Fresh 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 Fresh 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; and
- 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 Net Proceeds of the Fresh 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.

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.

As per the sector specific guidelines of the GoI, FDI up to 100% is permitted in the hydroelectric power sector under the automatic route.

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 both “**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.

Recent Developments

The SEBI has, through its circulars (reference no. SEBI/CFD/DIL/DIP/31/2008/30/7) dated July 30, 2008, notified certain amendments to the SEBI (DIP) Guidelines, regarding an additional mode of payment through Applications Supported by Blocked Amount (“**ASBA**”) and have amended the SEBI (DIP) Guidelines to that effect. The ASBA process shall be available in all public issues made through the Book Building route, and shall coexist with the current process wherein cheque is used as a mode of payment. However, the date of implementation of the said amendments has not yet been notified as of the date of this Draft Red Herring Prospectus.

SECTION VIII - 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, their consolidation or splitting are as provided below. Each provision 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.

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| Capital | 5. | The Share capital of the Company is Rs 1,50,00,00,00,000 (Rupees Fifteen thousand crore Only) divided into 15,00,00,00,000(Fifteen hundred crore only) Equity Shares of Rs 10/- each. |
| Allotment of Shares | 6. | 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 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 for any services rendered to the Company in the conduct of its business and any shares which may so be 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.

CERTIFICATES

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| Members' right to certificates | 7 | Subject to the requirements of Listing Agreement and the bye-laws of the Stock Exchanges, every member 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 Share/Debentures, as the case may be. Every certificate of Shares/Debenture 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 |
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issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a Share(s)/debenture(s) 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/Bond/Debenture holder in dematerialised form, no Share/Bond/Debenture Certificate(s) shall be issued.

Issue of new certificates in place of one defaced, lost or destroyed

8. If any security certificate be worn out, defaced mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate being given a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees.

Provided that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

Calls on Shares/Debenture

- 8A The Board of Directors may from time to time, make calls upon the members or debenture-holders in respect of any moneys unpaid on their shares or debentures and specify the time or times of payments and each member or debenture holder shall pay to the Company at the time or times so specified the amount called on his shares/debentures.

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 is payable

- 8B. 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 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

- 8C. 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 him 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 of the Company.

TRANSFER AND TRANSMISSION OF SHARES

Transfer &
Transmission of
Shares/Debenture

- 9(a) Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except;

When the transferee is in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;

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; 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.

- (b) Subject to the provisions of Section 111 and 111A of the Act, the provisions of the Listing Agreement with the Stock Exchanges and Section 22A of the Securities Contracts(Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares 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 or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
- (c) The instrument of transfer in case of shares/debentures held in physical form shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
- (d) 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.

	(e)	A common form of transfer of shares or debentures as the case may be, shall be used by the Company.
Register of Transfer	10.	The Company shall keep the Registers of Transfer of Shares and Transfer of Debentures and therein enter the particulars of several transfers or transmission of any share or debenture.
Execution of Transfer	11.	The instrument of transfer of any share or (debenture) in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share or debenture until the name of the transferee is entered in the Register or Members or (debenture-holder) in respect thereof.

BOARD OF DIRECTORS

	32.	The business of the Company shall be managed by a Board of Directors subject to the compliance of conditions stipulated in the DPE OM No. 11/36/97-Finance dated October 9, 1997 read with OM No. 18(24)/2003-GM-GL-65 dated August 5, 2005 or as amended time to time.
Number of Directors	33. 1	The president shall, from time to time, determine the number of Directors of the Company and which shall be not less than 4 and not more than 15. Provided the number of Independent directors in any case shall not be less than 50% of the actual strength of the Board.
Appointment of the Board of Directors	34.	(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. (b) The Directors shall be paid such salary and/or allowances 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 one 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-third (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, than 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 Directors 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 is 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 the Government Department shall retire on his ceasing to be an official of that Department.

(v) The President may, from time to time or any time remove any part time Director, from office at his absolute discretion. Chairman and whole-time 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, with immediate effect on payment of the pay in lieu of the notice period.

(vi) President shall have the right to fill any vacancy of the office of the Directors including Chairman & Managing Director

appointed by him, caused by removal, resignation, death or otherwise and to substitute any Director, including Chairman, in place of existing Director.

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| Alternate Director | <p>35. In place of a Director who is out of India or is about to go out of India or who expects to be absent for not less than three months from the State in which meeting of the Directors are ordinarily held, the President may appoint, in consultation with the Chairman of the Company any person to be an Alternate Director during his absence out of India or his absence of not less than three months from the State in which the meeting of the Board are ordinarily held and such appointee, whilst he holds office as an Alternate Director shall be entitled to notice of meetings of the Board and to attend and to vote thereat accordingly.</p> <p>36. (i) 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 provisions of Article 35. Any such 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) as the case may be.</p> <p>(ii) Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time, entrust and confer upon the Chairman, Managing Director, Director for the time being, such of the powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any such powers.</p> |
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Division of Profits and Dividend

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| Division of profits | <p>50. (i) The profits of the Company available for payment of 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 (subject as aforesaid) 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.</p> <p>(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</p> |
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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 of the dividend 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 shares, 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 dividend	51.	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	52.	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	52A.	There shall not be any forfeiture of unclaimed dividends and the Company shall comply with the applicable provisions of the Act relating to transfer of unclaimed and unpaid dividend to the Investor Education & Protection Fund or to any such other fund as may be required under applicable laws.

SECTION IX – OTHER INFORMATION

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 Draft 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 Draft 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 registered office of our Company situated at NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, 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 February 13, 2007 for appointment of Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited as BRLMs.
2. MoU dated March 30, 2007 and the amendment to the MoU dated August 4, 2008 amongst our Company, the Selling Shareholder and the BRLMs.
3. MoU dated March 30, 2007 and the amendment to the MoU dated August 4, 2008 amongst our Company and the Selling Shareholder with Registrar to the Issue.
4. Escrow Agreement dated [•] amongst our Company, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [•] amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members.
6. Underwriting Agreement dated [•] amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated November 7, 1975.
3. Shareholder's resolution dated March 13, 2007 in relation to this Issue and other related matters.
4. Letter No. 16/47/2001-DO (NHPC) dated January 8, 2007 from the MoP to the Company approving the Issue.
5. Letter No. 16/47/2001-DO (NHPC) dated March 8, 2007 from the MoP to the Company approving the Offer for Sale by the Selling Shareholder.
6. Letter No. 16/47/2001-DO (NHPC) dated August 9, 2007 from the MoP to the Company authorising Mr. Rajesh Verma, Joint Secretary and Financial Advisor, MoP to, *inter alia*, execute, sign and deliver such deeds, documents and agreements and to do all such acts, deeds required for the purpose for effecting the offer for sale by the GoI of its shareholding in our Company.

7. Resolutions of the Board dated February 7, 2007, March 13, 2007, and May 30, 2008 authorising the Issue.
8. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors.
9. Statement of Tax Benefits, and the Report of the Auditors, M/s. GSA & Associates, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
10. Copies of annual reports of our Company for the past five financial years.
11. Consents of the Auditors, M/s. GSA & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
12. Consents of Auditors, IPO Grading Agency, 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.
13. Applications dated [●] and [●] for in-principle listing approvals from BSE and NSE, respectively.
14. In-principle listing approvals from BSE and NSE dated [●] and [●], respectively.
15. Agreement among NSDL, our Company and the Registrar to the Issue, dated October 10, 2007.
16. Agreement among CDSL, our Company and the Registrar to the Issue, dated July 6, 2007.
17. Due diligence certificate to SEBI from Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited, dated August 5, 2008.
18. SEBI observation letter [●], dated [●], and our in-seriatim reply to the same, dated [●].
19. MoU with the government of Madhya Pradesh, dated May 16, 2000.
20. Memorandum of Agreement with the government of Arunachal Pradesh, dated June 24, 2007.
21. MoU with the government of Manipur, dated September 14, 2007.

Any of the contracts or documents mentioned in this Draft 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 Draft 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Selling Shareholder

Joint Secretary and Financial Advisor,
Ministry of Power, Government of India

Signed by all Directors

1.	Mr. S. K. Garg Chairman and Managing Director	Sd/-
2.	Mr. A.B.L. Srivastava Director (Finance)	Sd/-
3.	Mr. Gurdial Singh Government Nominee Director	Sd/-
4.	Mr. Jayant Kawale Government Nominee Director	Sd/-
5.	Ms. Komal Anand Independent Director	Sd/-
6.	Mr. Arun Kumar Mago Independent Director	Sd/-
7.	Mr. Raman Sidhu Independent Director	Sd/-
8.	Mr. R. Jayaseelan Independent Director	Sd/-
9.	Dr. Kuriakose Mamkoottam Independent Director	Sd/-

Date: August 5, 2008

Place: Faridabad

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