RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Book Building Issue
Dated October 21, 2010

POWER GRID CORPORATION OF INDIA LIMITED

Our Company was incorporated in New Delhi on October 23, 1989 under the Companies Act, 1956 (the "**Companies Act**") as a public limited company under the name 'National Power Transmission Corporation Limited'.

For more information on change in the name of our Company and our registered office, see *"History and Certain Corporate Matters"* on page 130.

Registered Office: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, India **Tel:** +91 (11) 2656 0112 **Fax:** +91 (11) 2656 4849
Corporate Office: "Saudamini", Plot No.2, Sector 29, Gurgaon 122 001, Haryana, India **Tel:** +91 (124) 2571 700 **Fax:** +91 (124) 2571 848
Company Secretary and Compliance Officer: Ms. Divya Tandon, Company Secretary **Tel:** +91 (124) 2571 968 **Fax:** +91 (124) 2571 891 **E-mail:** investors@powergridindia.com.
Website: www.powergridindia.com.

Promoter: President of India, acting through the Ministry of Power, Government of India ("**MoP**") and the Ministry of Development of North Eastern Region, Government of India ("**MoDoNER**")

FURTHER PUBLIC ISSUE OF 841,768,246 EQUITY SHARES OF ₹ 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [•] PER EQUITY SHARE OF POWER GRID CORPORATION OF INDIA LIMITED ("POWERGRID", "OUR COMPANY" OR "THE ISSUER") AGGREGATING ₹ [•] MILLION (THE "ISSUE"). THE ISSUE COMPRISES A FRESH ISSUE OF 420,884,123 EQUITY SHARES BY OUR COMPANY (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 420,884,123 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 838,378,646 EQUITY SHARES ("THE NET ISSUE") AND A RESERVATION OF 3,389,600 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 18.2% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY AND THE NET ISSUE WOULD CONSTITUTE 18.1% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY. THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH.

THE PRICE BAND, RETAIL DISCOUNT, EMPLOYEE DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY AND THE SELLING SHAREHOLDER IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED IN THE MUMBAI EDITION AND DELHI EDITION OF THE *FINANCIAL EXPRESS* AND THE DELHI EDITION OF THE *JANSATTA* AT LEAST ONE WORKING DAY PRIOR TO THE BID OPENING DATE, WITH THE RELEVANT FINANCIAL RATIOS CALCULATED AT THE FLOOR PRICE AND AT THE CAP PRICE.*

Discount of ₹ [•] to the Issue Price is being offered to Retail Bidders ("Retail Discount**") and Eligible Employees (the "**Employee Discount**"), respectively.*

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

This Issue is being made through the Book Building Process where up to 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"). For more information, see "***Issue Procedure***" on page 376. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder will 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, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in this Issue through the ASBA process by providing the details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the Self Certified Syndicate Banks ("**SCSBs**"). For more information, specific attention is invited to "***Issue Procedure***" on page 376.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and Bidders should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Bidders are advised to read the Risk Factors carefully before making an investment decision in this Issue. For making an investment decision, Bidders must rely on their own examination of our Company and this 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 Red Herring Prospectus. This being a fast track issue under Regulation 10 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("**SEBI Regulations**"), our Company filed the Red Herring Prospectus with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**") with a copy to SEBI and the Stock Exchanges. Specific attention of the Bidders is invited to "***Risk Factors***" on page xiv.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares of our Company are listed on the BSE and the NSE. NSE is the Designated Stock Exchange for the Issue.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
SBI Capital Markets Limited 202, Maker Tower E Cuffe Parade Mumbai 400 001, India Tel: +91 (22) 2217 8300 Fax: +91 (22) 2218 8332 Email: powergrid.fpo@sbicaps.com Investor Grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Harsh Soni/Ms. Neha Pruthi SEBI Registration No.: INM000003531	**Goldman Sachs (India) Securities Private Limited** 951-A Rational House Appasaheb Marathe Marg Prabhadevi Mumbai 400 025, India Tel: +91 (22) 6616 9000 Fax: +91 (22) 6616 9090 Email: powergrid.fpo@gs.com Investor Grievance E-mail: india-client-support@gs.com Website: http://www2.goldmansachs.com/worldwide/india/indian_offerings.html Contact Person: Ms. Priya Subbaraman SEBI Registration No.: INM000011054	**ICICI Securities Limited** ICICI Centre, H.T. Parekh Marg Churchgate Mumbai 400 020, India Tel: +91 (22) 2288 2460 Fax: +91 (22) 2282 6580 Email: powergrid.fpo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Vishal Kanjani SEBI Registration No.: INM000011179	**J.P. Morgan India Private Limited** J.P. Morgan Tower Off C.S.T. Road Kalina, Santacruz (East) Mumbai 400 098, India Tel: + 91 (22) 6157 3000 Fax: + 91 (22) 6157 3911 Email: project-powergridfpo@jpmorgan.com Investor Grievance E-mail: investorsmb.jpmipl@jpmorgan.com Website: www.jpmipl.com Contact Person: Mr. Manu Midha SEBI Registration No.: INM000002970	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17 - 24, Vithal Rao Nagar Madhapur Hyderabad 500 081, India Tel : + (91 40) 4465 5000 Fax : + (91 40) 2343 1551 E-mail: pgcil.fpo@karvy.com Website: www.karvy.com Contact Person: Mr. M. Muralikrishna SEBI Registration No: INR000000221

BIDDING PROGRAMME			
BID OPENS ON	**NOVEMBER 9, 2010**	**BID CLOSES ON (FOR QIB BIDDERS)**	**NOVEMBER 11, 2010**
		BID CLOSES ON (FOR ALL OTHER BIDDERS)	**NOVEMBER 12, 2010**

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SECTION I - GENERAL
DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Red Herring Prospectus, and references to any statute or regulations or policies will include any amendments or re-enactments thereto, from time to time.

Company-Related Terms

Term	Description
"Powergrid", "the Company", "our Company" and "the Issuer"	Power Grid Corporation of India Limited, a public limited company incorporated under the Companies Act with its registered office at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, India
AoA/Articles of Association or Articles	The articles of association of our Company, as amended from time to time
Audit Committee	The audit committee of our Board of Directors described in "***Our Management***" on page 164
Auditors	The statutory auditors of our Company, being A.R. & Company, Chartered Accountants, Umamaheshwara Rao & Co., Chartered Accountants and S R I Associates, Chartered Accountants
Board or Board of Directors	The board of directors of our Company
BTCL	Byrnihat Transmission Company Limited
DVC	Damodar Valley Corporation
Directors	The directors of our Company
EESL	Energy Efficiency Services Limited
ESPP	Environment and Social Policy and Procedures
Identified Projects	The identified transmission projects of our Company, as specified in "***Objects of the Issue***" on page 43
IL&FS	Infrastructure Leasing and Financial Services Limited
Jaiprakash	Jaiprakash Hydro-Power Limited
JPL	Jaypee Powergrid Limited
MoA/Memorandum of Association	The memorandum of association of our Company, as amended from time to time
NETCL	North East Transmission Company Limited
NHPTL	National High Power Test Laboratory Private Limited
NTPC	NTPC Limited
OTPC	ONGC Tripura Power Company Limited
Promoter	The President of India, acting through the MoP and the MoDoNER
POSOCO	Power System Operation Corporation Limited
PFC	Power Finance Corporation Limited
PITPL	Powergrid IL&FS Transmission Private Limited
PKTCL	Parbati Koldam Transmission Company Limited
PTC	Power Trading Corporation of India Limited
PTL	Powerlinks Transmission Limited
Registered Office	The registered office of our Company, at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, India
RIL	Reliance Infra Limited
Selling Shareholder	The President of India, acting through the MoP
Subsidiaries	Power System Operation Corporation Limited and Byrnihat Transmission Company Limited
Tata Power	Tata Power Company Limited
TPL	Torrent Powergrid Limited
Torrent	Torrent Power Limited
TUL	Teesta Urja Limited
TVPTL	Teesta Valley Power Transmission Limited

Issue Related Terms

Term	Description
Allotted/Allotment/Allot	Issue, transfer and allotment of Equity Shares to successful Bidders pursuant to this Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Application Supported by Blocked Amount/ASBA	Application (whether physical or electronic) used by a Bidder to make a Bid authorizing the SCSB to block the Bid Amount in the specified bank account maintained with the SCSB
ASBA Account	Account maintained with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form	The Bid cum Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder who applies through ASBA
ASBA Revision Form	The revision forms used by ASBA Bidders to modify the quantity of Equity Shares in any of their ASBA Bid cum Application Forms or any previous Revision Forms
Bankers to the Issue/Escrow Collection Banks	ICICI Bank Limited, Union Bank of India, IDBI Bank Limited, YES Bank Limited, HDFC Bank Limited, Axis Bank Limited, Indusind Bank Limited, Kotak Mahindra Bank Limited and State Bank of India
Basis of Allotment	The basis on which the Equity Shares will be Allotted, described in "***Issue Procedure***" on page 376
Bid	An indication to make an offer during the Bidding Period by a Bidder pursuant to submission of a Bid cum Application Form to subscribe to our 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 a Bidder on submission of a Bid in the Issue and in the case of ASBA Bidders, the amount mentioned in the ASBA Bid cum Application Form
Bid Closing Date	November 11, 2010 for all QIB Bidders and November 12, 2010 for all other Bidders
Bid cum Application Form	The form in terms of which the Bidder will make an offer to purchase Equity Shares and which will be considered as the application for the issue/transfer of Equity Shares pursuant to the terms of this Red Herring Prospectus and the Prospectus, including the ASBA Bid cum Application, as may be applicable
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder
Bidding Period	The applicable period between the Bid Opening Date and the Bid Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bid Opening Date	November 9, 2010
Book Building Process	The method of book building as described in Schedule XI of the SEBI Regulations, in terms of which the Issue is being made
Book Running Lead Managers/BRLMs	The book running lead manager to the Issue, in this case being SBI Capital Markets Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and J.P. Morgan India Private Limited
Cap Price	Higher end of the Price Band, including revisions thereof, above which the Issue Price will not be determined and above which no Bids will be accepted
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate Bids in the Issue by ASBA Bidders with the BRLMs, the Registrar to the Issue and the

Term	Description
	Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Cut-off Price	The Issue Price finalized by our Company and the Selling Shareholder, in consultation with the BRLMs which will be any price within the Price Band. Only Retail Bidders and Eligible Employees, whose Bid Amount does not exceed ₹ 100,000 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 Branches	Such branches of the SCSBs which will collect the ASBA Bid cum Application Form used by ASBA Bidders, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Designated Date	The date on which funds are transferred from the Escrow Accounts to the Public Issue Account and the amount blocked by the SCSBs are transferred from the ASBA Accounts to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Equity Shares will be Allotted
Designated Stock Exchange	National Stock Exchange of India Limited
DP ID	Depository Participant's Identity
Eligible Employee	A permanent and full-time employee of our Company and that of our Subsidiaries or a Director of our Company (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of the Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form and who continue to be in the employment of our Company or the Subsidiaries or Directors of our Company, as the case may be, until submission of the Bid cum Application Form. An employee of our Company or Subsidiaries who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will also be deemed a 'permanent employee'
Eligible NRI	A 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
Employee Discount	The difference of ₹ [●] between the Issue Price and the differential lower price at which our Company and the Selling Shareholder has decided to Allot the Equity Shares to Eligible Employees. The Employee Discount will be 5% of the Issue Price
Employee Reservation Portion	The portion of the Issue, being 3,389,600 Equity Shares, available for allocation to Eligible Employees. The employee reservation portion will not exceed 5% of the post-Issue capital of our Company
Equity Listing Agreements	The Company's equity listing agreements entered into with the Stock Exchanges
Equity Share(s)	Equity Shares of our Company with a face value of ₹ 10 each
Escrow Account(s)	Accounts opened with the Escrow Collection Banks for the Issue and in whose favour the Bidders (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	The agreement dated October 20, 2010 entered into amongst our Company, the Selling Shareholder, the Registrar, the members of the Syndicate and the Escrow Collection Banks for collection of the Bid Amounts and remitting refunds, if any, of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form
Floor Price	Lower end of the Price Band and any revisions thereof, below which

Term	Description
	the Issue Price will not be finalized and no Bids will be accepted and which shall not be lower than the face value of our Equity Shares
Fresh Issue	Fresh issue of 420,884,123 Equity Shares by our Company, as part of the Issue in terms of this Red Herring Prospectus
Issue	Further public issue of 841,768,246 Equity Shares of ₹ 10 each for cash at a price of ₹ [•] per Equity Share of our Company aggregating ₹ [•] million. The Issue comprises a Fresh Issue of 420,884,123 Equity Shares by our Company and an Offer for Sale of 420,884,123 Equity Shares by the Selling Shareholder. The Issue comprises a Net Issue to the public of 838,378,646 Equity Shares and an Employee Reservation Portion of 3,389,600 Equity Shares for subscription by Eligible Employees
Issue Agreement	The agreement dated October 20, 2010 entered into amongst our Company, the Selling Shareholder and the BRLMs pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price (net of Employee Discount and Retail Discount, as applicable) at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs on the Pricing Date
Monitoring Agency	IFCI Limited
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Portion equal to a minimum of 20,959,467 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion on a proportionate basis
Net Issue	Issue less the Employees Reservation Portion, consisting of 838,378,646 Equity Shares to be Allotted at the Issue Price
Net Proceeds	Proceeds of the Issue that are available to our Company, excluding Issue expenses and the proceeds of the Offer for Sale
Non-Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Bidders and who have Bid for Equity Shares for an amount more than ₹ 100,000
Non-Institutional Portion	The portion of the Net Issue, being not less than 15% of the Net Issue or 125,756,797 Equity Shares, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, who is a citizen of India or a person of Indian origin and will have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended
Offer for Sale	Offer of 420,884,123 Equity Shares being offered by the Selling Shareholder pursuant to the Red Herring Prospectus
Price Band	Price band of a minimum price (Floor Price) of ₹ [●] and a maximum price (Cap Price) of ₹ [●], including revisions thereof. The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs and advertised in the Mumbai edition and Delhi edition of the *Financial Express* and the Delhi edition of the *Jansatta* at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price
Pricing Date	The date on which our Company and the Selling Shareholder, in consultation with the BRLMs will finalize the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, among other things, the Issue Price that is

Term	Description
	determined at the end of the Book Building Process, the size of the Issue and certain other information and including any addenda or corrigenda thereof
Public Issue Account	The account to be opened with the Bankers to the Issue to receive monies from the Escrow Account(s) and the ASBA Accounts, on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, scheduled commercial banks, Mutual Funds, VCFs and FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, 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 and insurance funds set up and managed by army, navy or air force of the Union of India
QIB Portion	The portion of the Issue being up to 50% of the Net Issue or 419,189,323 Equity Shares to be Allotted to QIBs
Red Herring Prospectus or RHP	This Red Herring Prospectus dated October 20, 2010 issued in accordance with Section 60B of the Companies Act, which des not have complete particulars of the Issue Price, Employee Discount, Retail Discount and the Price Band and which becomes the Prospectus after filing with the RoC after the Pricing Date
Refund Accounts	Accounts opened with Escrow Collection Banks from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, will be made
Refund Banks	Escrow Collection Banks in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, will be made, in this case being, ICICI Bank Limited, IDBI Bank Limited and HDFC Bank Limited
Registrar to the Issue/Registrar	Karvy Computershare Private Limited
Registrar's Agreement	The agreement dated October 20, 2010 entered into amongst our Company, the Selling Shareholder and the Registrar to the Issue pursuant to which certain arrangements are agreed to in relation to the Issue
Retail Bidders	Bidders (including HUFs and NRIs), other than Employees submitting Bids under the Employee Reservation Portion, who have Bid for Equity Shares for an amount less than or equal to ₹ 100,000 in any of the bidding options in the Net Issue
Retail Discount	The difference of ₹ [●] between the Issue Price and the differential lower price at which our Company and the selling shareholder has decided to Allot the Equity Shares to Retail Bidders
Retail Portion	The portion of the Issue, being not less than 35% of the Net Issue, or 293,432,526 Equity Shares at the Issue Price, available for allocation to Retail Bidders
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount, as applicable, in any of their Bid cum Application Forms, ASBA Bid cum Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank or SCSB	Banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, and offer services of ASBA, including blocking of ASBA Accounts, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Stock Exchanges	The BSE and the NSE

Term	Description
Syndicate	Collectively, the BRLMs and the Syndicate Members
Syndicate Agreement	The agreement dated October 20, 2010 entered into amongst the Syndicate, the Selling Shareholder and our Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue
Syndicate Members	SBICAP Securities Limited and India Infoline 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 BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the Underwriters, our Company and the Selling Shareholder to be entered into, on or after the Pricing Date
U.S. person	As defined in Regulation S under the U.S. Securities Act of 1933
U.S. QIB	U.S. persons that are "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act of 1933
Working Day	All days other than a Sunday or a public holiday (except in reference to announcement of Price Band and Bidding Period, where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

Conventional and General Terms

Term	Description
Act or Companies Act	Companies Act, 1956
AFC	Annual Fixed Cost
ASSOCHAM	Associated Chambers of Commerce and Industry
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIA Factbook	United States Central Intelligence Agency Factbook
Connectivity Regulations	Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009
CPSU	Central Public Sector Undertakings
Crore	10 million
CSR	Corporate Social Responsibility
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DoE	Department of Expenditure
DoT	Department of Telecommunications
DPE	Department of Public Enterprises, Government of India
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of a company
Electricity Act	Electricity Act, 2003
EPA	Environment (Protection) Act, 1986
EPF Act	Employees (Provident Fund and Miscellaneous Provisions) Act, 1952
EPS	Earnings per share, i.e., profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
FEMA Overseas Investment Regulations	Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI

Term	Description
FIPB	Foreign Investment Promotion Board
Fiscal 2004-2009 Regulations	Tariff regulations of Fiscal 2004-2009
Forest Conservation Act	Forest (Conservation) Act, 1980
FPO	Further Public Offering
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI
GIR No	General Index Register Number
GoI or Government	Government of India
GoT	Government of Tripura
HCPTC	High Capacity Power Transmission Corridors
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
ID Act	Industrial Disputes Act, 1947
IPP	Independent power producer
I.T. Act	Income Tax Act, 1961
Indian GAAP	Generally Accepted Accounting Principles in India
Indian Telegraph Act	Indian Telegraph Act, 1885
IPO	Initial Public Offer
Industrial Policy	The policy and guidelines relating to industrial activity in India, issued by the Government of India from time to time
Insurance Regulatory and Development Authority/ IRDA	Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999
Km	Kilometers
LA Act	Land Acquisition Act, 1894
LAO	Land Acquisition Officer
LEO	Labour Enforcement Officer
M	Metres
MCA	Ministry of Corporate Affairs, GoI
Minimum Wages Act	Minimum Wages Act, 1948
MoEF	Ministry of Environment and Forests, GoI
MoF	Ministry of Finance, GoI
MoDoNER	Ministry of Development of North Eastern Region, GoI
MoP	Ministry of Power, GoI
MoU	Memorandum of Understanding
N/A	Not Applicable
NEFT	National Electronic Fund Transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	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
OECD	Organization for Economic Cooperation and Development
OTS	One Time Settlement
PAN	Permanent Account Number allotted under the I.T. Act

Term	Description
Power Transmission Systems Ordinance	National Thermal Power Corporation Limited, the National Hydro Electric Power Corporation Limited and the North-Eastern Electric Power Corporation Limited (Acquisition and Transfer of Power Transmission Systems) Ordinance, 1993
RBI	Reserve Bank of India
Re.	One Indian Rupee
RoC	Registrar of Companies, National Capital Territory Delhi and Haryana
Rs. or ₹	Indian Rupees
RTGS	Real Time Gross Settlement
RTI	Right to Information
SCRA	Securities Contract (Regulations) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
Sharing of Charges and Losses Regulations	Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010
STT	Securities Transaction Tax
Supreme Court	Supreme Court of India
Tariff Order	Telecommunication Tariff Order, 1999 as amended by the Telecommunication Tariff (Thirty Sixth Amendment) Order 2005
Tariff Regulations/Fiscal 2010-2014 Regulations	Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009
TRAI Act	Telecom Regulatory Authority of India Act, 1997
US GAAP	Generally accepted accounting principles in the United States of America
VCF(s)	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996
Wireless Telegraphy Act	Indian Wireless Telegraphy Act, 1933
Workmen's Compensation Act	Workmen's Compensation Act, 1923

Industry Related Terms

Term	Description
APDRP	Accelerated Power Development and Reform Programme
ARPU	Average Revenue Per User
ATC	Annual Transmission Service Charge
ATE	Appellate Tribunal for Electricity
BEE	Bureau of Energy Efficiency
BOO	Build, own and operate
BOOT	Build, own, operate and transfer
BPTA	Bulk Power Transmission Agreement
CDM	Clean Development Mechanism
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CMTS	Cellular Mobile Telephone Service
CSPU	Central Sector Power Utilities
CTU	Central Transmission Utility
DPR	Detailed Project Report
DWDM	Dense Wave Division Multiplexes
EBITDA	Earning before interest, tax, depreciation and amortization
ERS	Emergency Restoration Systems
FERV	Foreign Exchange Rate Variation
Ha	Hectares
HVDC	High voltage direct current

Term	Description
IUC	Interconnection Usage Charges
IPMCS	Integrated Project Management and Control System
IPTC	Independent Private Transmission Company
ISTS	Interstate and Inter- regional electric power transmission system
KV	Kilovolts
KW	Kilo Watt
MVA	Mega Volt Ampere
MW	Mega Watt
NEP	National Electricity Policy
NKN	National Knowledge Network
NLDC	National Load Despatch Centre
NLDO	National Long Distance Operator
OPGW	Optical Ground Wire
REC	Rural Electrification Corporation Limited
Rural Electrification Programme	Rajiv Gandhi Grameen Vidyutikaran Yojana programme for rural electrification
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RLDC	Regional Load Despatch Centre
ROE	Return on Equity
SDH	Synchronous Digital Hierarchy
SEB	State Electricity Board
SERC	State Electricity Regulatory Commissions
SLDC	State Load Despatch Centre
SPUs	State Power Utilities comprising of transmission and distribution companies formed pursuant to the unbundling of SEBs
STU	State Transmission Utility
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
T&D	Transmission and Development
TRAI	Telecom Regulatory Authority of India
UAS	Unified Access Service
UCPTT	Uniform Common Pool Transmission Tariff
UHVDC	Ultra High Voltage Direct Current
UI	Unschedule Interchange
ULDC	Unified Load Despatch Centre
UMPPs	Ultra Mega Power Projects

The words and expressions used but not defined in this Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, SEBI Act, the SCRA, the Depositories Act and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in "***Main Provisions of the Articles of Association***", "***Statement of General Tax Benefits***", "***Regulations and Policies in India***", "***Financial Statements***" and "***Outstanding Litigation and Material Developments***" on pages 408, 63, 118, 184 and 300 respectively, will have the same meaning given to such terms in these respective sections.

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

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and the Companies Act and in accordance with the SEBI Regulations for the six month period ended September 30, 2010, Fiscals 2010 and 2009.

Our Fiscal year commences on April 1 and ends on March 31, so all references to a particular Fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP, U.S. GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

All references to "**India**" contained in this Red Herring Prospectus are to the Republic of India, all references to the "**U.S.**", "**USA**", or the "**United States**" are to the United States of America.

Except where specified, in this Red Herring Prospectus, all figures have been expressed in "**million**" which means "10 lakhs"; and a "billion" means "10,000 lakhs".

Industry and Market Data

Unless stated otherwise, the industry and market data used throughout this Red Herring Prospectus has been obtained from industry publications and government data. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Data from these sources may also not be comparable. The extent to which industry and market data used in this Red Herring Prospectus is meaningful depends on the readers' familiarity with and understanding of the methodologies used in compiling such data.

This data has not been prepared or independently verified by us or the BRLMs or any of their respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "***Risk Factors***" on page xiv. Accordingly, investment decisions should not be based on such information.

In accordance with the SEBI Regulations, we have included in the section titled "***Basis for Issue Price***" on page 60. Such information has been derived from publicly available sources and our Company has not independently verified such information.

Currency and Units of Presentation

All references to "**Rupees**" or "**₹**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**U.S. Dollar**" or "**USD**" or "**US$**" are to United States Dollar, the official currency of the United States of America.

Exchange Rates

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of item (VIII) sub-item (G) of Part A of Schedule VIII of the SEBI Regulations. These convenience translations should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The exchange rates of the respective foreign currencies as on March 31, 2009, March 31, 2010, September 30, 2009 and September 30, 2010 are provided below.

(₹)

Currency	Exchange Rate as on March 31, 2010	Exchange Rate as on March 31, 2009	Exchange Rate as on September 30, 2010	Exchange Rate as on September 30, 2009
1 US$	45.14	50.95	44.92	48.04

Source: RBI Reference Rate

NOTICE TO INVESTORS

United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") 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 U.S. Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Our Company has not registered and does not intend to register under the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**") in reliance upon Section 3(c)(7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**") and referred to in this Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in the Red Herring Prospectus as "**QIBs**") that are also "qualified purchasers" ("**QPs**") (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance upon Section 3(c)(7) of the U.S. Investment Company Act and (ii) outside the United States to non-U.S. persons in reliance on Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

European Economic Area

This Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which are the subject of the placement contemplated in this Red Herring Prospectus should only do so in circumstances in which no obligation arises for our Company or any of the Underwriters to produce a prospectus for such offer. None of our Company and the Underwriters have authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the final placement of Equity Shares contemplated in this Red Herring Prospectus.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- regulatory changes pertaining to the industries in India in which our Company has its businesses and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion;
- regulatory changes in the power sector;
- technological changes;
- our exposure to market risks;
- general economic and political conditions in India and which have an impact on our business activities or investments;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in India and globally;
- changes in domestic laws, regulations and taxes; and
- changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see "***Risk Factors***" and "***Management Discussion and Analysis of Financial Condition and Results of Operations***" on pages xiv and 254, respectively. 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, the Selling Shareholder nor the BRLMs nor the Syndicate Members 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 listing and trading permission by the Stock Exchanges for the Equity Shares under Fresh Issue.

SECTION II - RISK FACTORS

*An investment in the Equity Shares involves a high degree of risk. You should carefully consider all information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only ones relevant to the countries and the industries in which our Company operates, our Company or the Equity Shares. Additional risks not presently known to our Company or that we currently deem immaterial may also impair our Company's business operations. To obtain a complete understanding of our business, you should read this section in conjunction with the sections titled "**Our Business**" and "**Management's Discussion and Analysis of Financial Conditions and Results of Operations**" on pages 82 and 254, respectively, as well as other financial information contained in this Red Herring Prospectus. If any or some combination of the following risks or any of the other risks and uncertainties discussed in this Red Herring Prospectus actually occur, our business, financial condition and results of operations could suffer, the trading price of the Equity Shares and the value of your investment in the Equity Shares could decline, and you may lose all or part of your investment.*

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section.

Unless otherwise stated, the financial information of our Company used in this section is derived from our unconsolidated audited financial statements for Fiscals 2009 and 2010 and the unconsolidated, unaudited, limited review financial statements for the six months ended September 30, 2010.

INTERNAL RISKS

1. Our Company is presently involved in seven proceedings of criminal nature, and any adverse decision may have a significant adverse effect on our business and results of operations.

We are presently involved in seven criminal proceedings which have been filed against us before various forums. Amongst the cases filed against us, two cases are pending before the Chief Judicial Magistrate, Bhabua and the Chief Judicial Magistrate, Muzafferpur in relation to breach of the Contract Labour (Regulation and Abolition) Act, 1970. Additionally, there are two criminal complaints filed against us before the Chief Judicial Magistrate, Nalanda and Barh under various sections of the Indian Penal Code. Further, there are three criminal complaints filed against certain of our employees and officials before the sub-Judicial Magistrate, Bhubaneswar and Dharamgarh and the Judicial Magistrate, First Class, Thane in relation to violation of the provisions of the Industrial Disputes Act, 1947 ("**ID Act**"), Code of Criminal Procedure, 1973 and the Maharashtra Private Security Guards (Regulation of Employment Amendment) Scheme, 2005, respectively. For details of these cases, see *"**Outstanding Litigation and Material Developments**"* on page 300. We cannot provide any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us in future.

2. Our Company is involved in certain 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 various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as change in applicable laws or rulings against us by the appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We also receive requests for information under the Right to Information Act, 2005 from various third parties from time to time. In addition our Company is presently and in future may be subject to risks of litigation including public interest litigation, in relation to environment impact of our projects or construction activities of our projects. We cannot give you any assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business including the financial condition of our Company, delay in implementation of our current or future project and results of operations. Details of the proceeding that have been initiated against our Company and the amounts claimed against us in these proceedings, to the extent ascertainable, are set forth below:

(in ₹ million)

Nature of Proceedings	Number of Proceedings	Amount Involved
Criminal	7	-
Public Interest Litigation and Environment matters	8	-
Income Tax	8	*
Service tax and Other Tax matters	46	1,954.2
Statutory Notices	7	-
Consumer Cases	9	0.5
CERC	16	-
Contempt Cases	4	-
Land Acquisition	596	5,993.1
Compensation Cases for Displacement of Trees	1,770	3,402.4
Civil	204	41.8
Labour and Service Matters	59	8.4
Arbitration	52	792.4
RTI Notice	1	-
Miscellaneous	31	18.2
Total	**2,812**	**12,218.5**

** The total amount claimed has been paid under dispute and is being contested by our Company. The aggregate amount claimed is hence not included here.*

For details of these cases, see *"**Outstanding Litigation and Material Developments**"* on page 300.

Further, investors may note that certain Directors and officials of our Company, including Mr. S.K. Chaturvedi, Chairman and Managing Director of our Company have been impleaded in certain of these cases in their respective official capacities. For details of these cases, see *"**Outstanding Litigation and Material Developments**"* on page 300.

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

In accordance with the terms of allocation letters issued by the GoI, we are obliged to undertake the transmission of electricity to SPUs from Central Sector power generation stations through our transmission system. Revenues from transmission charges accounted for over 90% of our total revenue from operations for Fiscal 2009, Fiscal 2010 and the six month ended September 30, 2010 and the SPUs are our largest customers. The SPUs also represent substantially all of our sundry debtors.

The SPUs include certain SEBs, and also the entities that have been created by the unbundling of the remaining SEBs. The SEBs had weak credit histories in the past. The financial performance of the SEBs deteriorated significantly during the decade prior to the one time settlement ("**OTS**") of their past-due amounts under a "securitisation scheme" in 2003. The estimated commercial losses of the SPUs in Fiscal 2009 were approximately ₹ 526,230 million. The OTS introduced several measures that have improved the financial condition of the SEBs and have given protection to certain of their creditors, including us. These measures included the issuance to us of ₹ 18.62 billion in bonds and ₹ 1.54 billion as long term advances to "securitize" our past due receivables from the SEBs. In addition, our agreements with the SPUs are backed by letters of credit that typically cover 105% of the SPUs' preceding twelve months average billings with us. We cannot, however, assure you that as a result of the OTS, the creditworthiness of the SPUs will remain strong. Nor can we assure you that we would be able to recover all the outstanding amounts due to us from SPUs if their creditworthiness were to deteriorate again. In any such case, our financial position could be adversely affected.

4. Six transmission projects for which we intend to utilize the Net Proceeds have been delayed.

The completion of the Transmission System for Barh Generation Project and the Transmission System for Parbati – III HEP, both generation-linked projects, have suffered delays of approximately 18 months and 17 months, respectively, as the commissioning of the power generation projects have been delayed. In addition, we anticipate that the completion of the Transmission System associated with the Sasan UMPP may be delayed due to a delay in the commissioning of the associated power generation project. Although CERC may, under the Tariff Regulations, approve the commercial operation of our transmission systems prior to such transmission projects coming into regular service, where the delay is not attributable to our Company, our contractors or our suppliers, we cannot assure you that we will be able to recover the tariffs on these projects until the completion of the associated generation projects, due to which our returns on investments in these projects would be delayed.

Further, the completion of the Western Region Strengthening Scheme – II has been delayed by 8 months due to certain difficulties faced by our Company with respect to resolving the right of way and in obtaining the requisite clearance from forest department authorities. The completion of the Strengthening of East-West Transmission Corridor has been delayed by approximately 18 months due to delay in obtaining the requisite funding from the World Bank, as well as certain difficulties faced by our Company with respect to resolving the right of way and in obtaining the requisite clearance from forest department authorities. The completion of the Western Region Strengthening Scheme – IX has been delayed by approximately 14 months due to delay in receiving transformers from our supplier. Because we will not be able to recover the tariffs on these projects until commercial operation begins, our returns on investment will be delayed.

5. Our new transmission projects or new projects and expansion plans are subject to a number of contingencies.

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

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

Further, we are in the process of transferring our power system operations segment to our Subsidiary and we have a minority investment in nine joint ventures. Our Subsidiary is yet to commence commercial operations and therefore has not made any profits. Only two of our nine joint ventures have commenced operations and returned a profit and one of our joint ventures is in the process of winding up. If our Subsidiary or joint ventures are not profitable, our financial condition and results of operations may be adversely affected. For further details on our Subsidiary and joint venture companies, see "***History and Certain Corporate Matters***" on page 130.

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

We will need significant additional capital to finance our business plan and in particular, our plans for transmission infrastructure expansion. Based on generation capacity targeted under the Eleventh Five Year Plan, we plan on capital expenditure of an aggregate amount up to ₹ 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012, to further develop the national grid, including expanding inter-regional transmission systems, system strengthening schemes and transmission systems for evacuation of power from central sector generation projects and UMPPs. In addition, CERC accorded regulatory approval to us to proceed with the execution of nine high capacity transmission corridors with a government-approved cost of ₹ 580,610 million. We have in the past been able to finance our projects on competitive terms due in part to our Company achieving a favorable credit rating. Nevertheless, there can be no assurance that we will achieve such financing in a timely manner and on favourable terms, or at all, or maintain a favourable credit rating. Future debt financing, if available, may result in increased finance charges, increased financial leverage, decreased income available to fund further acquisition and expansions and the imposition of restrictive covenants on our business and operations. In addition, future debt financing may limit our ability to withstand competitive pressures and render us more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay the planned expansion projects or other capital expenditures.

In addition, due to the number of large-scale infrastructure projects currently under development in India and increased lending by banks and institutions to these projects which has resulted in domestic funds not being available or being available on unattractive terms. Therefore, we may be required to seek funding internationally, resulting in unattractive terms and conditions and exposure to higher interest rates and foreign exchange risks. If the funding requirements of a particular expansion project increase, we will need to look for additional sources of finance, which may not be readily available, or may not be available on attractive terms, which may have an adverse effect on the profitability of that project. Our business, financial condition, results of operations and prospects may be adversely affected by any delay or failure to successfully commission these projects.

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

We intend to continue to rapidly increase our capacity to maintain and grow our leadership position and remain the largest Indian power transmission company. As at September 30, 2010, we had 68 transmission projects in various stages of implementation. These projects involve approximately 40,000 circuit kilometers of transmission lines and 65 substations with a total power transformation capacity of approximately 106,000 MVA. We are also in the process of adopting a higher voltage level system for our network.

We expect that the execution of new transmission and substation projects and our growth strategy will place significant strains on our management, financial and other resources. For instance, in order to manage the execution of new transmission and substation projects and growth effectively, we must implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to implement and improve these systems, procedures and controls on a timely basis, or if there are weaknesses in our internal controls that would result in inconsistent internal standard operating procedures, we may not be able to meet our expected schedule of project implementation, hire or retain employees, pursue new business, complete future strategic agreements or operate our business effectively. There can be no assurance that our existing or future management, operational and financial systems, procedures and controls will be adequate to support future operations or establish or develop business relationships beneficial to our future operations.

Further, our continued expansion increases the challenges involved in financial and technical management, recruitment, training and retaining sufficient skilled technical and management personnel, and developing and improving our internal administrative infrastructure. We may intend to evaluate and consider expansion in the future to pursue existing and potential market opportunities. Our inability to manage our business plan effectively and execute our growth strategy could have an adverse effect on our operations, results, financial condition and cash flows. In addition, due to such inability to manage such challenges, we may also be unable to meet the annual performance targets set by the GoI pursuant to an annual Memorandum of Understanding that we enter into with the GoI. If we are unable to successfully implement our business plan and growth strategy, our business, results of operations and financial condition would be materially and adversely affected.

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

The power industry in India is regulated by laws, rules and directives issued by governmental and regulatory authorities. These laws, rules and directives have changed significantly in recent years. There are likely to be more reforms, such as reforms implemented under the Electricity Act, in the ensuing years. It is expected that many of these reforms will take time to be implemented. We cannot assure you that these reforms, including changes to the current regulatory bodies or to the existing rules and directives, will be favourable to our business. If such changes are not favourable, our business could be adversely affected.

For example, we currently undertake each new transmission project with the expectation that the tariffs we will be allowed to recover from customers will compensate us on a cost-plus basis for undertaking the project. However, the tariff policy notified by the GoI on January 6, 2006 provides that tariffs on all transmission projects to be developed by us after January, 2011, or when CERC is satisfied that the conditions are appropriate, will be decided on the basis of competitive bidding. If we are unable to adapt to a regulatory regime in which new transmission projects are approved for the interested developer on the basis of competitive bidding, then we may not be able to take on new projects and make them work for us on a commercial basis. This could have an adverse effect on our growth plans.

For a more detailed description of the current regulatory bodies and the existing laws, rules and directives, see "***Regulations and Policies in India***" on page 118.

9. ***Our tariffs could be modified in the future in ways that could have an adverse effect on our results of operations, including through a reduction in our return on equity.***

Pursuant to the Electricity Act, a new tariff policy was notified by the GoI on January 6, 2006. CERC is to be guided by this policy when specifying the terms and conditions of particular tariffs. Our current tariffs should in general remain in place until March 31, 2014. In the event, however, that the current tariff policy changes or CERC modifies our tariffs, our business, financial condition and results of operations could be adversely affected. Any such changes could have the effect of, for example, reducing the return on equity currently allowed to us on our transmission projects, reducing the additional return on equity currently allowed to us on our projects if the projects are completed on time, changing our rate of recovery of operation and maintenance expenditure or setting additional limitations on our ability to recover the cost of assets we develop or services we provide. In the past, CERC decreased our return on equity from 16% to 14% during the period April 1, 2004 to March 31, 2009. Further, the April 27, 2010 and June 16, 2010, CERC orders require that the actual capital expenditure we incur in the development of a project will be benchmarked against an acceptable amount of capital expenditure in order to determine whether the actual capital expenditure incurred was reasonable.

For a discussion of current tariff policy in the electricity industry in India, see "***Regulations and Policies in India***" on page 118.

10. Transmission projects require a substantial capital outlay and time before any benefits or returns on investments are realized and our returns on investment may be reduced in the event of delays.

Our transmission projects typically require substantial capital outlays and time before the commencement of commercial operation. As per CERC regulations, we are paid a return on our equity in a transmission project only after the commencement of commercial operation of that project. In the event of a time overrun for a project in which we are investing, returns on our investment in that project will be postponed during the delay. In particular, our failure to complete a generation-linked transmission project, in accordance with the transmission project's agreed schedule, might require us to indemnify the generators up to certain limited amounts. Conversely, if a new transmission project is linked to a new generation project, and the generation project is delayed, our return on our investment in the project may be postponed, subject only to the receipt of limited indemnification amounts from the generator, unless we demonstrate to CERC that our Company, our contractors or our suppliers were not responsible for the delay. As a result of any such delays, or of our inability to demonstrate to CERC that we are not responsible for a delay, our return on investment on the affected transmission project may be lower than originally expected.

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

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

As at September 30, 2010, our total outstanding secured borrowings were ₹ 336,568.7 million, our total outstanding unsecured borrowings were ₹ 29,671.5 million and our debt to equity ratio was 2.1:1. Approximately 67.9% and 32.1% of our outstanding debt was from domestic and international sources, respectively. We generally meet our debt service obligations and repay our outstanding borrowings using the cash flow produced under our tariffs, which have built-in provisions for the repayment of our debt. However, for various reasons, there can be no assurance that we will be able to pay our debt obligations on time. In the event that the completion of a new project were to be substantially delayed, we might have to service the debt financing for that project before generating any cash flows from that project. Further, an event of default under our loans could occur due to factors beyond our control, for example if India were to fail to remain a member of the Asian Development Bank or similar multilateral funding agencies. If we fail to meet our debt service obligations or if a default otherwise occurs, our lenders could declare us in default under the terms of our borrowings and accelerate the maturity of our obligations. Any such default and acceleration could have a material adverse effect on our cash flows, business and results of operations.

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

There are covenants in the agreements we have entered into with certain banks and financial institutions for our short-term borrowings, medium-term borrowings, bond trust deeds and multilateral lending institutions that require us to obtain written consent from lenders for undertaking certain activities. For instance, under our loan agreement with Indian Overseas Bank our Company was required to obtain the lender's prior written consent for change in capital structure for this Issue. Similarly, prior written consent of the lenders is required for, among other circumstances, undertaking restructuring of our Company, creating any mortgage or charge on any of the secured properties or assets and for assigning or transferring all or any of our rights, benefits or obligations under the loan agreements. In addition, some of our loan agreements contain financial covenants that require us to maintain, among other things, high ratings on our debt from credit rating agencies, a specified debt to equity ratio, borrowings to net worth ratio and EBITDA to interest expense ratio**.** There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business, in the future. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loans. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us. For details of our financing arrangements, see "***Financial Indebtedness***" on page 282.

13. *The new regulatory framework for sharing of transmission charges may adversely affect our receivables.*

The CERC promulgated the (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 on June 16, 2010. These regulations will come into force on January 1, 2011 for a period of five years and will implement a "point of connection" method for sharing the transmission charges for the inter-state transmission system in India, replacing the present method of regional postage stamps. These regulations provide that the yearly transmission charges, revenue requirement on account of foreign exchange rate variation ("**FERV**"), changes in interest rates and losses will be shared amongst the users, including larger generating stations, state electricity boards, state transmission utilities, bulk consumers connected directly with the inter-state transmission system and any designated entity representing a physically-connected entity listed above. Under the regulations, we have been made responsible for billing, collecting and disbursing transmission charges for the entire ISTS from all users. If we are unable to collect the charges from all users of the ISTS, including amounts payable to other transmission utilities in the future, our results of operations could be adversely affected.

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

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

We maintain a self-insurance scheme to cover a substantial portion of our business risks. We also maintain insurance policies with outside insurers in respect of risks to certain critical equipment, including our HVDC system and 765 kV substations, and other selected risks. Certain of our telecommunication assets are insured against fire damage. We carry coverage against various other fire and allied perils and against certain risks of theft. We do not carry any insurance against harm to third parties, other than during the course of construction of our projects.

We cannot assure you that if we suffer material losses, our self insurance and insurance arrangements will be sufficient to cover those losses. If our losses are more than our insurance coverage, our result of operations could be adversely affected.

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

Our future success will depend in part on our ability to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

We need to continue to invest in new and more advanced technologies and equipment to enable us to respond to emerging power transmission industry standards and practices in a cost-effective and timely manner that is competitive with other transmission and substation projects. The development and implementation of such technology entails significant 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, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business and financial performance could be adversely affected.

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

We have minority investments in nine joint ventures. As at September 30, 2010, two of our joint ventures, Powerlinks Transmission Limited and Torrent Powergrid Limited, were operational and one joint venture was in the process of winding up. For further details about our existing joint ventures, see "***History and Certain Corporate Matters***" on page 130.

Investments through joint ventures may, under certain circumstances, involve risks. Joint venture partners may fail to meet their financial or other obligations in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our business interests or goals, or those of our shareholders. In each of our joint venture arrangements, we have a minority interest. Therefore, our joint venture partner in each of these joint venture arrangements will have effective control with respect to shareholder actions or approvals, except where our affirmative agreement is required under the Companies Act or the terms of the joint venture. Any disputes that may arise between us and our joint venture partners may cause delays in completion or the suspension or abandonment of the project. Some of our joint venture agreements prohibit us from, *inter alia*, acquiring or disposing our shareholding in the joint ventures. All these joint ventures contain clauses wherein we have undertaken not to encumber or alienate our shareholding in the joint ventures for specified periods. In certain joint ventures our shareholding has been locked in for a period of five years and we have agreed that we will not transfer our shareholding to any third party nor will we have the right to increase/decrease our shareholding in the open market without the prior written consent of our joint venture partners. Therefore, if we determine that we have sought to pursue participation in a particular project with the wrong partners, we may be unable to change partners or continue to participate in the project as we had planned. Under the terms of certain of our joint ventures, we are required to infuse proportionate equity and our decision not to do so or inability may result in losing our affirmative rights in such joint ventures or our payment of penalties. In addition, the terms of certain of our joint ventures prevent our Company from competing with the business of the joint venture without the prior consent of the other shareholders. These covenants may limit our ability to make optimum use of our investments or exit these joint ventures at our discretion, which may have an adverse impact on our financial condition. Additionally, we cannot assure that we will be able perform or comply with our obligations under the joint venture agreements and our failure to do so may result in breach of such agreements and could adversely affect our business and results of operations.

Under the terms of our joint venture arrangement, we are obliged to make payment to Powerlinks Transmission System of the full tariff amount due, regardless of our collections from customers. Therefore, we bear the risk of non-collection from customers. In addition, under the terms of the Powerlinks Transmission System joint venture agreement, we may have to buy out the joint venture in case of a default by either party or a force majeure event, subject to CERC approval. If we were required to buy out the joint venture, our financial position may be adversely be affected.

For details see *"**History and Certain Corporate matters**"* on page 130.

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

17. There is no assurance that our contractors will not violate any applicable laws and regulations.

We undertake construction of our transmission and substation projects through third party contractors. Our selection criteria for contractors are primarily based on the technical experience and financial position requirements of the projects. Prior to engaging any contractor, we endeavour to ensure their capacity and capability, including their quality control systems, are adequate for contract execution. Although we have established internal control procedures in the selection of contractors, there is no assurance that our contractors will not violate any applicable laws and regulations in their provision of services. If we become aware that any of our contractors is involved in any material breach of applicable laws and regulations, we will terminate the relevant contracting agreement with such contractor immediately. In the event that we are unable to identify any substitute, our business operations or planned expansion projects may be adversely affected.

18. We require statutory and regulatory permits and approvals to operate and expand our businesses, and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require regulatory approvals, sanctions, licenses, registrations and permissions to operate and expand our businesses. For instance, our Company may be required to obtain approval of the Ministry of Environment and Forests of the GoI under the Forest (Conservation) Act, 1980 if a transmission project involves the diversion of forest land, and the specific clearance of the Supreme Court of India if the project involves the erection of transmission lines in areas designated as wildlife sanctuaries or national parks.

We cannot assure you that we will obtain all regulatory approvals, sanctions, licenses, registrations and permissions that we may require in the future, or receive renewals of existing or future approvals, sanctions, licenses, registrations and permissions in the time frames required for our operations or at all, which could adversely affect our business. For more information, see "***Government and Other Approvals***" on page 328.

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

Grid disturbances can arise when sufficient imbalances exist between power being delivered to and power being removed from the transmission system. We employ modern operations and maintenance, load despatch and communications systems and methods to avoid such outcomes and we have not suffered a major grid disturbance, meaning an interruption affecting an entire region or an inter-regional transmission system, since January 2003. Nevertheless, we could be subject to grid disturbances despite our efforts to avoid them, as a result of actions taken by generators or customers, the rapid expansion of regional electricity grids and their integration into a national grid or other reasons. Long-lasting or repeated disturbances could adversely affect our reputation as a transmission service provider with customers, generators, our regulators and others. Such loss of reputation could hurt our business and make relations with our regulators difficult.

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

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

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

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

22. Some of our immovable properties may have certain irregularities in title, as a result of which our operations may be impaired.

We possess immovable properties at various locations for the purposes of our business, held either on freehold or leasehold basis. Several of our material immovable properties for our transmission lines, infrastructure and projects, whether owned or leased by us, have certain irregularities in title including that the deeds for transfer of property are inadequately stamped or have not been executed or registered with the concerned authority, due to which we may not be able to prove tenancy or ownership rights over such property. In addition, registration of land title in India is not centralized and has not been fully computerized. Land records are often hand-written in local languages and may not be legible or correctly spelt and at times may be in poor condition or untraceable, making it difficult to ascertain title. Title risks can be particularly acute where fragmented land rights are acquired from agriculturalists and small landholders. Further, title records in India presently provide only for presumptive title rather than a guaranteed title to the land. Indian law, for example, recognizes the ability of persons to effect a valid mortgage on an unregistered basis by the physical delivery of original title documents to a lender. Adverse possession under Indian law also gives rise, on 12 years' occupation, to valid ownership rights as against all parties, including government entities that are landowners, without the requirement of registration of ownership rights by the adverse possessor. Title to land may be defective as a result of a failure on our part, or on the part of a prior transferee, to obtain the consent of all such persons or to duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title that we may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings.

Our business may be affected if we are unable to continue to utilize our owned and leased properties as a result of any irregularity of title or otherwise.

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

While our principal revenues are in Rupees, we borrow funds from outside India in foreign currencies. As at March 31, 2010 and September 30, 2010, we had ₹ 111,295.2 million and ₹ 117,468.7 million equivalent respectively of foreign currency borrowings outstanding. These borrowings are held in currencies such as U.S. Dollars, Euros, Swiss Francs, Swedish Kroner and Japanese Yen. These borrowings expose us to losses due to fluctuations in foreign currency exchange rates. As at September 30, 2010, the US Dollar, Swiss Francs and other currencies to Rupee exchange rates resulted in adjustments in our interest costs, leading to a charge of ₹ 25.7 million in interest and finance charges. Currently, any transmission-related financial expense that we incur as a result of foreign currency borrowing is passed on to our customers as part of our tariff arrangements. Were this to change, volatility in foreign exchange rates could adversely affect our business. In addition, in the event of disputes under any of our foreign currency borrowings, we may be required by the terms of those borrowings to defend ourselves in foreign court or arbitration proceedings, which could result in additional costs to us.

24. A violation of health and safety requirements and the occurrence of accidents could disrupt our operations and increase operating costs.

A violation of health and safety laws or failure to comply with the requirements of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of our transmission and substation facilities and the imposition of costly compliance procedures. If health and safety authorities shut down all or a portion of transmission and substation facilities or impose costly compliance measures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The nature of our operations creates a risk of accidents and fatalities among our workforce, and we may be required to pay compensation or suspend operations as a result of such accidents or fatalities, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

As at September 30, 2010, we had 9,717 employees. Substantially all of our employees at the workman level are affiliated with labour unions.

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

26. Litigation and other forms of opposition from local communities and other parties may adversely affect our results of operations and financial condition.

The construction and operation of our transmission and substation projects may have significant consequences on grazing, logging, agricultural activities, mining and land development as well as on the ecosystem of the affected areas. The environmental impact of a particular transmission project typically depends on the location of the project and the surrounding ecosystem. Further, the construction and operation of our transmission and substation projects may require the displacement or relocation of local communities or may otherwise disrupt their activities and livelihoods, especially during the project construction period.

There can be no assurance that we will not be subject to litigation or other forms of opposition from public interest groups, local communities or non-governmental organizations, in relation to the environmental impact of our transmission projects or in relation to land acquisition and construction activities for our projects and the consequent displacement and rehabilitation of affected communities. Any such claims or other opposition may delay or prevent us from implementing our projects. We may be required to bear substantial compliance, rehabilitation or other significant liabilities, which may lead to significant increases to our project development costs. As a result, our results of operations, financial condition and prospects may be adversely affected.

For example, public interest litigation has been instituted by Western Ghats Environmental Forum before the High Court of Karnataka, Bangalore, seeking direction restraining the implementation of major projects which destroy flora and fauna and also restraining the stringing of transmission lines across Western Ghats in North Kanara. Similar public interest litigation has also been instituted against us by Vanasuma Foundation before High Court of Karnataka, Bangalore. In addition, there are various court proceedings pending against our Company with respect to land acquired for its various projects under the Land Acquisition Act, 1894, the majority of proceedings which relate to demands for increased compensation by landowners. For details, see "***Outstanding Litigation and Material Developments***" on page 300.

27. New technologies could make our telecommunication business less desirable to current and potential customers and could result in decreasing revenues, which would have a material adverse effect on our business, results of operations and financial condition.

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

28. We have short term contracts with customers in our telecommunication business.

The purchase orders received by us from our telecommunication customers and the capacity agreements entered into with our customers range from a period of three months to fifteen years. However, these agreements have provisions for earlier termination and as a result there is no assurance that a customer will stay with us for the entire period. The termination of contracts before the expiry period or non-renewal of our existing contracts may adversely affect our results of operations.

29. We are entering into new businesses that may not be successful.

We are seeking to diversify our operations and take advantage of opportunities in new areas such as telecommunication infrastructure development and leasing. We do not have operating history or significant experience in these new businesses, and they may involve risks and difficulties with which we may not be familiar. These new businesses may require capital and other resources, as well as management attention, which could place a burden on our resources and abilities. These new businesses are also subject to significant regulation, which may change. The early stage of these new businesses and any changes to the nature of the relevant regulations may make it difficult to predict their economic viability. We may not be successful in these businesses and cannot provide you with any assurances as to the timing and amount of any returns or benefits that we may receive from these new businesses or any other new businesses we may enter into. We may need to share a portion of the revenue generated from these new businesses as may be directed by concerned regulatory authorities.

30. Decrease in demand for telecommunication tower space could affect our future operating results.

Factors adversely affecting the demand for telecommunication tower space in India in general would be likely to adversely affect our future operating results. Such factors could include:

- a deterioration in the financial condition of wireless communications service providers generally due to declining tariffs, media convergence or other factors;
- a decrease in the ability and willingness of wireless communications service providers to maintain or increase capital expenditures;
- a decrease in the growth rate of wireless communications generally or of a particular segment of the wireless communications sector;
- a decrease in consumer demand for wireless communications services due to adverse general economic conditions or other factors;
- adverse developments with respect to governmental licensing of spectrum and changes in telecommunications regulations;
- mergers or consolidations among wireless service providers;
- increased use of network sharing, roaming or resale arrangements by wireless service providers amongst themselves;
- delays or changes in the deployment of 3G, 4G, WiMAX or other communications technologies;
- delays in regulatory changes that would permit us to use our towers as telecommunication or broadcasting towers or for other revenue-generating purposes;
- changing strategies of wireless service providers with respect to owning or sharing passive infrastructure;
- adverse developments with regard to zoning, environmental, health and other government regulations;
- technological changes generally; and
- general economic conditions.

Our business and proposed capital expenditure plans are based on the premise that the subscriber base for wireless telecommunications services in India will grow at a rapid pace and that Indian wireless service providers will, to a certain degree, adopt the passive infrastructure sharing model. If the Indian wireless telecommunications services market does not grow or grows at a slower rate than we expect, or the behaviours of market players do not meet our current expectations, the demand for our services and our growth prospects will be adversely affected, which would have a material adverse effect on our business, results of operations and financial condition. In addition, the development and commercialisation of new technologies designed to improve and enhance the range and effectiveness of cellular telecommunication networks may significantly decrease demand for additional telecommunications infrastructure.

31. Our consultancy business could be harmed if funding for our consulting clients and their programs were to be reduced by the GoI or foreign governments or institutions.

A significant amount of the income we have generated from our consultancy business is due to government-funded programs such as the APDRP and the RGGVY, where we are one of the agents chosen to implement some or all parts of the relevant projects. Income from our participation in the APDRP and RGGVY projects represented 5.0% and 37.8% of the income we generated from our consultancy business in Fiscal 2009. As our participation in the APDRP concluded in March 2009, income from our participation in the RGGVY in Fiscal 2010 represented 27.8% of the income we generated from our consulting business in Fiscal 2010. In the event that government funds for RGGVY were to be reduced, or if we were unable to win new assignments, our consultancy income would be adversely affected. In addition, the international consultancy projects which we secure are often related to programs funded by multilateral agencies such as the World Bank, or any foreign government. Were such sources of funds for these programs to be reduced, our consulting income relating to such programs would be adversely affected.

32. 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. For example, our Chairman and Managing Director, Mr. S.K. Chaturvedi, and our Director (Finance), Mr. J. Sridharan, are both due to retire within the next 12 months, and we cannot assure you that we will be able to find suitable replacements for them in a timely manner. Generally, there is significant competition for management and other skilled personnel in India, and it may be difficult to attract and retain the personnel we need in the future. In particular, we may be unable to compete with private companies for suitably skilled personnel due to their ability to provide more competitive compensation and benefits. Although we believe we have employee-friendly policies, including an incentive scheme to encourage employee retention, the loss of key personnel may have an adverse affect on our business, results of operations, financial condition and ability to grow.

For details of the profile of our key management, see "***Our Management***" beginning on page 164.

33. The GoI shall continue to hold a majority of our Equity Shares following the Issue, and our other shareholders will be unable to affect the outcome of shareholder voting.

After the completion of this Issue, the GoI will own approximately 69.42% of our paid-up capital. Consequently, the GoI, acting through the MoP, will continue to hold a majority of our Equity Shares and will have the power to appoint and remove our directors and therefore influence the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed annual and other plans, revenue budgets, capital expenditures, dividend policy, transactions with other GoI-controlled companies or the assertion of claims against such companies and other public sector companies. In particular, given the importance of the power industry to the economy, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits. In addition, the GoI significantly influences our operations through its various departments and policies.

34. Our management will have flexibility in applying the Net Proceeds for the Object of the Issue.

We intend to use the Net Proceeds for the purposes described in "***Object of the Issue***" on page 43. Our management, in accordance with the policies set up by our Board, will have flexibility in deploying the Net Proceeds, as well as the discretion to revise its business plan from time to time, and consequently the funding requirement and deployment of funds may also change. This may include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In the event of significant variations in the proposed utilization, approval of our shareholders will be duly sought. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements may be financed by the funds available for general corporate purposes, out of the Net Proceeds. If such surplus funds are unavailable, the required financing will be met through cash in hand and debt, or a combination thereof. Further, pending utilization of the Net Proceeds, we intend to invest such Net Proceeds in approved interest-bearing liquid instruments including money market mutual funds and bank deposits, as approved by our Board of Directors. In addition, any balance amount from the Net Proceeds which may be allocated to general corporate purposes will be used at the discretion of our management in accordance with policies approved by our Board of Directors from time to time.

35. The project appraisal reports prepared in relation to our Identified Projects identify possible risk factors that could adversely affect our Company and its business, prospects, financial condition and results of operations.

Out of the 13 Identified Projects, six projects are being partially funded by the World Bank. Prior to sanctioning funds for our projects, the World Bank typically undertakes an appraisal exercise of the sector and a basket of projects of our Company, which includes the six Identified Projects, namely, the Transmission System for Barh Generation Project, the Western Region Strengthening Scheme – II, the Strengthening of East-West Transmission Corridor, the Transmission System associated with Mundra Ultra Mega Power Project, the Transmission System associated with Sasan Ultra Mega Power Project and the System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects. Additionally, the Western Region Strengthening Scheme – II and the System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects have also been appraised by IFCI Limited and CRISIL Risk and Infrastructure Solutions Limited, respectively, which are independent appraising entities. The project appraisal reports prepared by the World Bank, IFCI Limited and CRISIL Risk and Infrastructure Solutions Limited in relation to our Identified Projects and among other things, identify possible risks factors that could adversely affect our transmission projects. The possible risk factors identified by the appraisal reports that may affect us include risks relating to project funding and cost overruns, construction of the transmission lines, force majeure events, foreign exchange exposure, interest rate exposure, regulatory risks and environmental risks. For details of these projects, see *"**Objects of the Issue**"* on page 43.

36. One of our Subsidiaries is involved in certain legal and regulatory proceedings that, if determined against our Subsidiary, may have adverse impact on our Company.

There are certain outstanding legal proceedings pending against one of our Subsidiaries, Power System Operation Corporation Limited, pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new developments arise, such as a change in the Indian law or rulings against them 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 its favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations. Details of the proceedings that have been initiated against Power System Operation Corporation Limited are set forth below:

(in ₹ million)

Nature of Proceedings	Number of Proceedings	Amount Involved
CERC and Tariff Related Disputes	14	-
Civil suits	1	-
Total	**15**	**-**

For details of these cases, see *"**Outstanding Litigation and Material Developments**"* on page 300.

37. Some of our joint venture companies are involved in certain legal, regulatory and arbitral proceedings that, if determined against them may have an adverse impact on our Company.

There are certain outstanding legal proceedings pending against some of our joint venture companies, namely, Torrent Powergrid Limited, Powerlinks Transmission Limited and Jaypee Powergrid Limited, which are pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new developments arise, such as a change in the Indian law or rulings against them 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 their favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations. Details of the proceedings that have been initiated against these joint venture companies are set forth below:

(in ₹ million)

Name of Proceedings	Number of Proceedings	Amount Involved
Civil suits	13	8.2
Total	**13**	**8.2**

For details of these cases, see *"**Outstanding Litigation and Material Developments**"* on page 300.

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

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

39. As at September 30, 2010, we had contingent liabilities of ₹ 43,953.7 million which have not been provided for in our financial statements and could adversely affect our financial condition.

As at September 30, 2010, we had contingent liabilities not provided for, as disclosed in the notes to our unconsolidated, unaudited, limited review financial statements for the six months ended September 30, 2010:

(₹ in million)

Contingent Liabilities	As at September 30, 2010
Claims against the Company not acknowledged as debt in respect of:	
Arbitration / Court Cases	20,272.3
Land / Crop/Tree Compensation cases	11,032.4
Service Tax	0.0
Others	1,668.8
Disputed Tax Demands-Income Tax	719.4
Disputed Tax Demands-Service Tax	0.0
Disputed Tax Demands-Others	201.2
Continuity Bonds with Custom Authorities	9,830.9
Other Service Tax	0.0
Others	228.7
Total	**43,953.7**

If these contingent liabilities materialize, fully or partly, our financial condition could be materially and adversely affected.

40. The proposed adoption of IFRS, which we expect to have to adopt effective April 1, 2011, could have a material adverse effect on the price of the Equity Shares.

Public companies in India, including our Company, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, Government of India, through the press note dated January 22, 2010 (the "**MCA Press Release**") and the clarification thereto dated May 4, 2010 (together with the MCA Press Release, the "**IFRS Convergence Note**"). Pursuant to the IFRS Convergence Note, we will be required to prepare our annual and interim financial statements under converged accounting standards in a phased manner beginning with the fiscal period commencing April 1, 2011. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognized during that period and in the corresponding period in the comparative fiscal year/period.

In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

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

We have applied for registration of our corporate logo, which are currently pending before the Registrar of Trademarks, New Delhi. Currently we do not have a registered trademark over our corporate logo and therefore we do not enjoy the statutory protections accorded to a registered trademark. There can be no assurance that we will be able to register the trademark and the logo or that third parties will not infringe on our intellectual property, causing damage to our business prospects, reputation and goodwill.

EXTERNAL RISKS

42. We may face increased competition for our transmission business and we face significant competition for our consulting business and telecommunication business from Indian and international companies.

We may face increased competition for our transmission business. As a consequence of reforms stipulated in the Electricity Act, 2003 and other rules and regulations notified by the CERC and CEA, large Indian business houses and international companies, among others, including some that already have a presence in the Indian power sector, may seek to expand their operations in the Indian transmission sector. Our competitors in the power business include Reliance Power Transmission, Energy Infratech and Kalpataru Power Transmission. The power sector in India could also attract new domestic and international entrants. Significant competition from within or outside India could adversely affect our growth plans and might affect our future results of operations.

Our consultancy business is subject to competition from various competitors in India and abroad. We are generally awarded our domestic consultancy projects without a competitive bidding process. Our primary domestic competitors for awards include KEC International Limited, Larsen & Toubro, Kalpataru Power Transmission Limited, Gammon India Limited, ABB India, Areva T&D and Siemens. Most of our international projects are awarded on a competitive bidding process. Our primary international competitors include Lahmeyer International, Fichtner, KEMA Inc., Energy Services Limited and SMEC International Pty Limited.

In our telecommunication business, we are subject to broad and intense competition for the provision of telecommunication bandwidth services, particularly from telecommunication companies with geographically extensive networks. Competition is expected to intensify in the telecommunications services industry in India and there may also be increasing competition from global players. Our competitors in the telecommunications business include all major national long distance operators. We have executed agreements to provide telecommunication bandwidth to certain customers, and most of our customers are also our competitors. These competitors provide similar bandwidth services to other telecommunication operators.

Many of our competitors in the consulting business and telecommunications business are larger than us and have greater financial resources. They may also benefit from greater economies of scale and operating efficiencies. As a result, our competitors may be able to present lower bids for contracts than we do, causing us to win fewer tenders. We cannot assure you that we can continue to compete effectively in the future.

43. We operate in a highly regulated environment, and the government policies, laws and regulations affecting the sectors in which we operate and the related industries could adversely affect our operations and our profitability.

Our businesses are regulated by the Central Government and State Governments in India, as well as by the governments of the countries in which we operate. See "***Regulations and Policies in India***" on page 118 for a description of laws and regulations applicable to us in India. The regulatory framework in India is evolving and regulatory changes could have an adverse effect on our business, results of operations and financial condition. Non-compliance with any regulation may also lead to penalties, revocation of our permits or licenses or litigation.

Future government policies and changes in laws and regulations in India and elsewhere may adversely affect our business and operations, and restrict our ability to do business in our existing and target markets. The timing and content of any new law or regulation is not in our control and such new law or regulation could have an adverse effect on our business, results of operations and financial condition.

44. Compliance with, and changes in, environmental, health and safety laws and regulations may adversely affect our financial condition and results of operations.

We are subject to environmental, health and safety regulations. For further details, see "***Regulations and Policies in India***" beginning on page 118. Governments may take steps towards the adoption of more stringent environmental, health and safety regulations, and we cannot assure you that we will be at all times in full compliance with these regulatory requirements. For example, these regulations often require us to purchase and install expensive pollution control equipment or make changes to our existing operations to limit any adverse impact or potential adverse impact on the environment or the health and safety of our employees, and any violation of these regulations, whether or not accidental, may result in substantial penalties, revocations of operating permits or a shutdown of our facilities. Due to the possibility of unanticipated regulatory developments, the amount and timing of future expenditures to comply with regulatory requirements may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental, health and safety regulations to which we are subject, we may need to incur substantial capital expenditures to comply with such new regulations. Our costs of complying with current and future environmental, health and safety laws and our liabilities arising from failure to comply with applicable regulatory requirements may adversely affect our business, financial condition and results of operations.

45. A slowdown in economic growth in India could cause our business to suffer.

Our transmission and telecom segments, which account for 96.3% of our revenue from operations for the six month period ended September 30, 2010, have their operations entirely in India and, consequently, our performance and growth is dependent on the state of the overall Indian economy. The Indian economy has shown variable growth over the last several years, with real GDP growing at 7.4% in the year ended March 31, 2010, 6.7% in the year ended March 31, 2009, and 9.3% in the year ended March 31, 2008. Growth in industrial production in India has been variable as well. Any slowdown in the Indian economy could adversely affect our business and the businesses of our customers. The Indian economy, following a period of significant growth, has more recently been adversely affected by challenging global market and economic conditions that has caused and may continue to cause a downturn in the economic growth rate in India. The current economic slowdown has had, and could continue to have, and any future slowdown in the Indian economy could have a material adverse effect on the capital expenditure budgets of our customers and, as a result, on our financial condition and results of operations.

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

India imports approximately 70% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Any significant increase in oil prices could affect the Indian economy, including by adding to inflationary pressures. Additionally, increases in oil prices may have a significant impact on the cost of generating power in India. As a result, there could be indirect adverse effects on our business, our ability to implement our strategy and the price of our Equity Shares.

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

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

47. Political instability or changes in the GoI could adversely affect economic conditions in India and consequently our business.

Our performance and the market price of the Equity Shares may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The GoI has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. The GoI has announced that its general intention is to continue India's current economic and financial sector liberalisation and deregulation policies. However, there can be no assurance that such policies will be continued, and a significant change in the Government's policies could affect business and economic conditions in India, and could also adversely affect our financial condition and results of operations.

Political instability or changes in the Government could delay further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

48. Adverse working conditions could affect our business and results of operations.

We have business activities that could be adversely affected by severe weather or other adverse working conditions. Incidences of severe weather conditions or other adverse working conditions such as earthquakes may require us to evacuate personnel or curtail services, damage our equipment or our facilities, requiring us to suspend our operations, preventing us from maintaining our contract schedules or generally reducing our productivity and profitability. Our operations are also adversely affected by difficult working conditions, including extremely high temperatures during summer months and heavy rain during monsoons, which could restrict our ability to carry on construction activities and fully utilize our resources.

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

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and its neighbouring countries might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

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

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

51. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely affect us.

According to the Half Yearly Report on Management of Foreign Exchange Reserves released by the RBI on August 4, 2010, India's foreign exchange reserves increased to US$ 309.7 billion by March 31, 2008, decreased to US$ 252 billion by March 31, 2009, and increased to US$ 279.1 billion by March 31, 2010. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy, which in turn could adversely affect our business and future financial performance and the market price of our Equity Shares.

52. Our ability to freely raise foreign currency denominated debt outside India may be constrained by Indian law.

We are required to obtain regulatory approvals for foreign direct equity investment and to raise foreign currency denominated indebtedness outside India. The need to obtain such regulatory approval for future indebtedness, if any, could limit our ability to raise funds necessary for us to grow our business, including to modernise our facilities and make strategic acquisitions. No assurance can be given that any required approvals will be obtained in a timely manner, or at all. Further, foreign direct equity investment is permitted only up to 26% of our Equity Shares.

53. Our operations in foreign countries are subject to political, economic, regulatory and other risks of doing business in those countries.

We have international operations, including operations in Africa, the Middle East, and South Asia that we either conduct directly or through project-specific consortiums with foreign partners. We may, at any one time, have a substantial portion of our resources dedicated to projects located in a few countries or a specific geographical region, which expose us to risks in those jurisdictions. We are currently involved in 12 international consultancy projects in countries as diverse as Afghanistan, Bangladesh, Nigeria, Bhutan, United Arab Emirates, Sri Lanka and Nepal. We have submitted expressions of interest and prequalification documents to clients in countries including Kenya, Ethiopia, Uganda, Rwanda, Benin, Ghana, Togo, Botswana, Oman, Qatar, Jordan, Yemen, Kazakhstan, Tajikistan, Uzbekistan, Armenia, Georgia, Ukraine, Kuwait, Nepal, Sri Lanka, Bhutan, Laos and Bangladesh to participate in international competitive bidding for feasibility studies, engineering consultancy, capacity-building and EPC projects.

As many of our clients are governmental entities, we are subject to additional risks, such as risks associated with uncertain political and economic environments and political instability, as well as legal systems, laws and regulations that are different from the legal systems, laws and regulations that we are familiar with in India, and which may be less established or predictable than those in more developed countries. In addition, we could be subject to expropriation or deprivation of assets or contract rights, interruptions from war or civil strife, foreign currency restrictions, exchange rate fluctuations and unanticipated taxes or encounter potential incompatibility with foreign joint venture partners or consortium members.

Regulatory changes in the foreign countries in which we operate may require us to, among other things, obtain licenses or permits in order to bid on contracts or conduct our operations or enter into a consortium arrangement, joint venture, agency or similar business arrangements with local businesses in order to conduct business in those countries. These laws and regulations may also encourage or mandate the hiring of local contractors and require foreign contractors to employ citizens of, or purchase supplies from within, the relevant country. In addition, we may become involved in proceedings with regulatory authorities that may require us to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for compliance with such laws and regulations.

Some of our full time and casual employees are located in other countries. In order to manage our day-to-day operations, we must overcome cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies, codes of conduct and other administrative programs that comply with the laws and customs of different jurisdictions. Our failure to successfully manage our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and comply with industry standards and procedures.

54. Third party statistical and financial data in this Red Herring Prospectus may be incomplete or unreliable.

We have not independently verified data from industry publications and other sources and therefore cannot assure you that they are complete or reliable. Discussions of matters relating to India, its economy or the industries in which we operate in this Red Herring Prospectus are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

55. There may be significant independent press coverage about our Company and this Issue, and we strongly caution you not to place reliance on any information contained in press articles, including, in particular, any financial projections, valuations or other forward-looking information, and any statements that are inconsistent with the information contained in this Red Herring Prospectus.

There has been significant press coverage about our Company and this Issue, that may include financial projections, valuations and other forward-looking information, as well as statements that are inconsistent or conflict with the information contained in this Red Herring Prospectus. We do not accept any responsibility for the accuracy or completeness of such press articles, and we make no representation or warranty as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations, forward-looking information, or of any assumptions underlying such projections, valuations, forward-looking information or any statements are inconsistent or conflict with the information contained in this Red Herring Prospectus, included in or referred to by the media.

56. Natural calamities could have a negative effect on the Indian economy and adversely affect our business and the price of our Equity Shares.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2009, the agricultural sector recorded negligible growth for that period. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

57. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could adversely affect our business.

The outbreak of an infectious disease or any other serious public health concern in Asia or elsewhere could have a negative impact on the global economy, financial markets and business activities worldwide, which could adversely affect our business. The outbreak of Severe Acute Respiratory Syndrome in Asia, swine influenza, avian influenza across Asia and Europe and H1 N1 around the world have adversely affected a number of countries. Although we have not been adversely affected by such outbreaks in the past, we can give you no assurance that a future outbreak of an infectious disease or any other serious public health concern will not have a material adverse effect on our business.

58. Our business and activities will be regulated by the Competition Act, 2002 (the "Competition Act") and any application of the Competition Act to us could have a material adverse effect on our business, financial condition and results of operations.

The Competition Act is designed to prevent business practices that have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Further, if it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of the contravention and liable to be punished. For more information, see "***Regulations and Policies in India***" on page 118.

The effect of the Competition Act on the business environment in India is as yet unclear. If we are affected, directly or indirectly, by any provision of the Competition Act, or its application or interpretation, including any enforcement proceedings initiated by the Competition Commission of India and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission, it may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO EQUITY SHARES

59. Conditions in and volatility of the Indian securities market may affect the price or liquidity of our Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Indian stock exchanges have often experienced periods of significant volatility, with the BSE index declining by 10.16% to 9,826.91 points (the intra-day low on May 22, 2006). The BSE index also fell by 453.36 points or 3.49% to 12,529.62 points on March 14, 2007. Moreover, the BSE index fell from a close of 20,873.33 points on January 8, 2008 to a close of 8,509.56 points on October 27, 2008, a fall of approximately 59.23%. Trading was also halted on the NSE and BSE on May 18, 2009 as the BSE Sensex rose by 17.34% after the announcement of India's parliamentary results. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of securities, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected.

60. 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 may be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond the 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 can 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.

61. Substantial future sales or issuances of our Equity Shares in the public market may dilute the position of investors and could adversely affect the market price of our Equity Shares.

Any future issuance of Equity Shares by us or sale of our Equity Shares by the GoI or by other significant shareholders, or any future issuance of convertible securities by us, or the perception in the market that such sale or issuance may occur, may significantly affect the trading price of our Equity

Shares. Such issuances of Equity Shares and convertible securities, or the perception in the market of that such issuance may occur, may dilute the positions of investors in the Equity Shares and could adversely affect the market price of our Equity Shares.

62. After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not be sustained.

The prices of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including:

- volatility in the Indian and global securities markets;
- our operational performance, financial results and grid expansion;
- developments in India's economic liberalization and deregulation policies, particularly in the power sector; and
- changes in India's laws and regulations impacting our business.

We cannot assure you that an active trading market for our Equity Shares will be sustained after this Issue or that the price at which our Equity Shares are offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

63. There is no guarantee that the Equity Shares offered and sold in this Issue will be listed on the Stock Exchanges in a timely manner or at all.

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

In addition, pursuant to India regulations, certain actions are required to be completed before the Equity Shares can be listed and trading may commence. Investors' book entry or dematerialized electronic accounts with depository participants in India are expected to be credited only after the date on which the issue and allotment is approved by our Board of Directors. There can be no assurance that the Equity Shares allocated to Investors will be credited to their dematerialized electronic accounts, or that trading will commence on time after Allotment has been approved by our Board of Directors, or at all.

64. Our ability to pay dividends in the future will depend upon various factors including future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of our future dividend payments, if any, will depend upon various factors including our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to declare dividends. For more information, see "***Dividend Policy***" on page 183.

Prominent Notes:

- Further Public Issue of 841,768,246 Equity Shares of ₹ 10 each for cash at a price of ₹ [•] per Equity Share of the Company aggregating ₹ [•] million. The Issue comprises a Fresh Issue of 420,884,123 Equity Shares by the Company and an Offer for Sale of 420,884,123 Equity Shares by the President of India acting through the MoP. The Issue comprises a Net Issue to the public of 838,378,646 Equity Shares and an Employee Reservation of up to 3,389,600 Equity Shares for subscription by Eligible Employees.

- The average cost of acquisition of our Equity Shares by our Promoter is ₹ 10 which has been calculated on the basis of the average of amounts paid by it to acquire the Equity Shares currently held by it.

- Except as disclosed in the section titled "***Financial Statements – Annexure XXIII - Related Party Transactions***" on page 241, there have been no transactions between our Company and our Subsidiaries/joint ventures during the last Fiscal including the nature and cumulative value of the transactions.

- The net worth of our Company as on March 31, 2010, as per our audited financial statements, and as on September 30, 2010, as per our unconsolidated, unaudited, limited review financial statements for the six month ended September 30, 2010, included in this Red Herring Prospectus was ₹ 159,135.1 million and ₹ 172,410.1 million, respectively.

- The net asset value per Equity Share as on March 31, 2010, as per our audited financial statements, and as on September 30, 2010, as per our unconsolidated, unaudited, limited review financial statements for the six month ended September 30, 2010, included in this Red Herring Prospectus was ₹ 37.81 and ₹ 40.96, respectively.

- There has been no financing arrangement by which the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.

- The investors may contact any of the BRLMs who have submitted the due diligence certificate to SEBI, for any complaint pertaining to the Issue.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

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

OVERVIEW OF THE INDIAN ECONOMY

India, the world's largest democracy with an estimated population of 1.157 billion, had a GDP on a purchasing power parity basis of an estimated US$3.57 trillion in 2009, according to the CIA Factbook. This made the Indian economy the fifth largest in the world after the European Union, United States, China and Japan.

According to the CIA Factbook, India's economy was the second fastest growing major economy in the world after China in CY2009. According to the RBI's Macroeconomic and Monetary Developments First Quarter Review 2010-11 dated July 26, 2010, the Indian economy exhibited robust acceleration in the pace of recovery in the fourth quarter of FY2010 led by strong growth in industrial activities. At 8.6%, GDP growth in the fourth quarter of FY2010 showed a significant recovery in relation to the 5.8% growth recorded during the second half of FY2009. The RBI expects overall GDP growth in FY2011 to accelerate further.

The Indian economy has weathered the global downturn relatively well. The OECD, in its Economic Outlook No. 87 released in May 2010, projects that India's real GDP will grow at a rate of 8.3% in CY2010 and 8.5% in CY2011 due to recent high frequency indicators of activity and business sentiment and an expected rebound in agricultural activity following the deficient monsoonal rainfall in CY2009.

Although the Indian economy has improved markedly since the implementation of economic reforms in 1991, India continues to underperform in the development of its infrastructure. According to the GoI's Projections of Investment in Infrastructure during the Eleventh Five Year Plan released in October 2007 lack of infrastructure is one of the major constraints on India's ability to achieve 9.0% to 10.0% growth in GDP.

The power sector has been recognized by the GoI as a key infrastructure sector to sustain the growth of the Indian economy. As per the Projections of Investment in Infrastructure during the Eleventh Plan released in August, 2008, investment in the electricity sector is projected at ₹ 6,665 billion (approximately US$166.63 billion) at FY2007 prices, or approximately 32.42% of the total projected investment in infrastructure during the Eleventh Plan.

OVERVIEW OF THE INDIAN POWER SECTOR

India is both a major energy producer and consumer. According to the CIA Factbook, India ranked as the world's fifth largest energy producing nation in 2009 behind the United States, China, Russia and Japan with estimated total production of 723.8 billion kWh. It is also the world's fifth largest energy consuming nation, with estimated total consumption of 568 billion kWh in 2007.

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

SUMMARY OF BUSINESS

OVERVIEW

We are India's principal electric power transmission company. We own and operate more than 95% of India's interstate and inter-regional electric power transmission system ("**ISTS**"). In that capacity, as at September 30, 2010, we owned and operated 79,556 circuit kilometers of electrical transmission lines and 132 electrical substations. In Fiscal 2010, we transmitted approximately 363.72 billion units of electricity, representing approximately 47% of all the power generated in India. In the six months ended September 30, 2010, we transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in India. We were ranked as the world's third largest transmission utility by the World Bank in January 2009.

We have been entrusted by the GoI with the statutory role of Central Transmission Utility ("**CTU**"). As CTU, we operate and are responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate non-discriminatory open access to available capacity in the ISTS.

We were designated a Mini-Ratna Category-I public sector undertaking in October 1998 and we were conferred the status of "Navratna" by the GoI in May 2008, which provides us greater autonomy to undertake new projects without GoI approval and allows us to make investments in subsidiaries and joint ventures, subject to an investment ceiling set by the GoI. We have received the highest annual performance rating of "Excellent" from the GoI in each year since Fiscal 1994.

We commenced our operations in Fiscal 1992 as part of an initiative of the GoI to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets, including transmission lines and substations, of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us from Fiscal 1992 to Fiscal 1994. For more details of our history, see "***History and Certain Corporate Matters***" on page 130.

From April 1, 2007 to September 30, 2010 we completed 32 transmission projects valued in the aggregate at approximately ₹ 138.6 billion. As at September 30, 2010, we had 68 transmission projects in various stages of implementation. As at September 30, 2010, we have spent ₹ 291.2 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The mid-term goal of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of 27,950 MW, which would include our transmission system and that of others.

The tariffs for our transmission projects are determined by the Central Electricity Regulatory Commission ("**CERC**"), pursuant to the Electricity Act 2003 and CERC regulations. The current CERC regulations are the CERC (Terms and Conditions of Tariff) Regulations, 2009, ("**Fiscal 2010-2014 Regulations**"), which are based on a cost-plus-tariff based system and provide us a return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the normal tax rate as applicable for the respective year.

A crucial aspect of the operation of an electric power system is management of the power flow in real time with reliability and security on a sound commercial and economic basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("**RLDCs**") in each of the five regions into which India is divided for purposes of power transmission and operation. As the RLDC operator, we have modernized the regional and state load despatch centers and their communication networks. In Fiscal 2009, the National Load Despatch Centre ("**NLDC**") was established. The NLDC is responsible for monitoring the operations and grid security of the national grid and supervises the scheduling and despatch of electricity over inter-regional lines in coordination with the RLDCs. All bilateral transactions are undertaken through the RLDCs, while transactions facilitated by the power exchanges are undertaken by NLDC. Our wholly-owned subsidiary, Power System Operation Corporation Limited ("**POSOCO**"), was established in March 2009 to oversee the grid management function of the RLDCs and NLDC. POSOCO received a certificate of commencement of business in March 2010, and we are in the process of transferring the movable assets of our power system operations segment to it. During Fiscal 2010, approximately 52.37 billion units of inter-regional energy transfer were facilitated across the country as compared to approximately 46.03 billion units in Fiscal 2009. The fees generated from our RLDC and NLDC operations are determined by CERC, pursuant to the Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

Leveraging on our strength as India's principal power transmission company, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. As at September 30, 2010, we were engaged in providing consultancy services to our clients in 75 domestic and international projects. In our consultancy role, we have facilitated the implementation of GoI-funded projects for the distribution of electricity to end-users through the RGGVY in rural areas and, until March 2009, the Accelerated Power Development and Reform Programme ("**APDRP**") in urban and semi-urban areas.

We have also diversified into the telecommunications business since 2001, utilizing our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines. As at September 30, 2010, the network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. We believe we are one of the few providers of telecommunications infrastructure with a significant presence in remote and rural areas. The availability of our telecom backbone network has been consistently maintained at 99.9% during Fiscal 2010. We have been leasing bandwidth on this network to more than 70 customers, including Bharti Airtel, Bharat Sanchar Nigam Limited, National Informatics Centre, Dishnet Wireless Limited, and Tata Communications Limited.

We have received the following licenses to provide telecommunication infrastructure services: Infrastructure Provider Category - I to construct infrastructure assets such as dark fibre, right of way, duct space and towers, Internet Service Provider Category A licence to provide internet services and a National Long Distance license to provide end to end bandwidth services.

In Fiscal 2010 we generated a total income of ₹ 75,035.8 million and profit after tax of ₹ 20,409.4 million. In Fiscal 2010, our revenues from transmission and transmission-related activities constituted 92.3% of our total revenue from operations, with the balance coming from our consulting and telecommunication businesses and from short term open access. In the six months ended September 30, 2010, we generated a total income of ₹ 43,726.6 million and profit after tax of ₹ 13,545.8 million. Our revenues from our transmission and transmission related activities constituted 91.5% of our total revenue from operations for the six months ended September 30, 2010.

We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2008 for quality, ISO 14001:2004 for environment management and OHSAS 18001:2007 for health and safety management systems. We are also certified for Social Accountability Standard, SA 8000:2008 for all our operations.

We seek to operate our transmission system at high levels of efficiency. In Fiscal 2010, we maintained a system availability rate of 99.77%. According to Booz & Company's comparative benchmarking across global transmission companies, our Company was rated as one of the best in terms of system availability in Fiscal 2010. In the six months ended September 30, 2010, our system availability rate was 99.86%. We have had no major grid disturbances, meaning an interruption affecting an entire region or an inter-regional transmission system, in the last seven years.

The following table presents certain company-wide operating parameters for the periods indicated:

	Fiscal			For the six months ended September 30,
	2008	2009	2010	2010
Transmission Network (circuit kilometers)	66,809	71,437	75,289	79,556
Substations (number)	111	120	124	132
Transformation Capacity (MVA)	73,122	79,522	83,402	89,170
System Availability (%)	99.65%	99.55%	99.77%	99.86%

As at September 30, 2010, we operated a network of 79,556 circuit kilometers at 765 kV, 400 kV, 220 kV and 132 kV EHV AC and +/- 500 kV HVDC. Of this 60,197 circuit kilometers are 400 kV, 2,921 circuit kilometers are 765kV, 5,947 circuit kilometers are +/-500 kV HVDC and the balance run at lower levels. We are gradually increasing our network of 765 kV transmission lines with approximately 10,000 circuit kilometers and 20 substations under development.

OUR STRENGTHS

We believe that the following are our principal business strengths:

Leadership position in Indian power transmission sector

We are India's principal electric power transmission company, owning and operating more than 95% of India's ISTS. As at September 30, 2010, we operated a network of about 79,556 circuit kilometers of interstate transmission lines, 132 EHV AC and HVDC substations with transformation capacity of about 89,170 MVA and during the six month period ended September 30, 2010 we transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in India. We were ranked as the world's third largest transmission utility by the World Bank in January 2009.

We are responsible for the expansion and technological modernization of the national electricity grid of India. Further, in our capacity as CTU, we are instrumental in implementing the regulatory framework for the power transmission industry throughout the country.

According to the 2009 Platts Top 250 Energy Company Rankings, we are number 15 on the list of fastest growing Asian energy companies.

High operational efficiencies

We have maintained an average availability of over 99% for our transmission system since Fiscal 2002 and we have not had a major grid disturbance, meaning an interruption affecting an entire region or an inter-regional transmission system, since January 2003. In order to ensure high rates of availability for our transmission systems, we monitor and maintain our infrastructure using modern techniques and technologies. Our levels of system availability allow us to earn additional income under certain incentive mechanisms built into our tariff structures pursuant to CERC tariff regulations. Since Fiscal 1994, we have been rated "Excellent" by the GoI on an annual basis as a result of our achievement of performance targets, which include demonstration of high operational efficiencies, set for us in memoranda of understanding that we agree to annually with the GoI.

Our operation and maintenance activities are ISO certified and our systems and procedures are updated to keep abreast with modern technology. Maintenance schedule documentation and procedures have been standardized across our assets and are available through our website portal. Periodic reviews are conducted at substations and line offices to evaluate the implementation of our systems and procedures and enhance the efficiency of our operations. Further, initiatives such as the replacement of old relays with advanced numerical or static relays, the refurbishment of existing transformers after carrying out residual age analysis have been undertaken to replace ageing transmission assets as per prevalent CERC tariff regulations. We have also introduced remote operations of existing sub-stations for optimal utilization of resources. The Ministry of Power has consistently awarded us National Awards for meritorious operational performance in the power sector since Fiscal 2005.

We have introduced state-of-the-art operation and maintenance measures such as carrying out live line maintenance using hotline maintenance equipment, including using helicopters to clean polluted insulators, and establishing Emergency Restoration Systems ("**ERS**") for the restoration of collapsed transmission lines in the minimum possible time. Further, we ensure frequent interaction between senior officials across all the regions in which we operate through multi-location video conferencing facilities.

Effective project implementation

We have extensive experience and expertise in implementing new transmission projects and expanding India's transmission systems. During the ninth, tenth and eleventh five year plans (through to September 30, 2010), we have added 12,436 circuit kilometers, 19,172 circuit kilometers and 20,086 circuit kilometers of transmission lines and 14, 36 and 30 sub-stations, respectively.

Our capabilities in this regard encompass many facets of transmission activities, from conceptualizing to the commissioning of projects. We contract out the construction of our transmission projects subject to our supervision and quality control.

We prioritize the efficient implementation of our transmission projects to meet stipulated time frames in order to be eligible for additional return on equity of 0.5% as per the Fiscal 2010-2014 Regulations and to derive maximum economic benefits from our commissioned projects. Our Integrated Project Management and Control System ("**IPMCS**") for the planning, monitoring and execution of projects has contributed significantly towards this goal. Under the IPMCS, various project implementation activities are broken down with identified key milestones to enable the monitoring and control of critical paths of implementation. Large transmission projects are often broken into separate elements with phasing in of commissioning that matches the priority of the requirements and allows for incremental increases to the revenue as parts of a project are commissioned. Procurement for our transmission projects is divided into well defined contracts awarded through competitive bidding. Advance action is taken for tendering, forest clearance and land acquisition, which are all critical aspects for the timely completion of a transmission project, even before investment approval is granted.

Following the award of contracts, an integrated plan governs the implementation of the transmission project, including control of the quality of materials and work during construction. We have a pool of trained and experienced personnel having expertise in all areas of project implementation, including system planning, design, engineering, contracts management, project management, supervision of construction, testing and commissioning activities.

Attractive tariffs, competitive landscape and business model

We are able to recover operating and maintenance charges as determined by CERC tariff regulations. Our transmission tariffs are presently determined under the Fiscal 2010-2014 Regulations on a cost-plus-tariff basis and provide us with a 15.5% return on equity until March 31, 2014. We also earn additional incentives for the timely commissioning of transmission projects and for maintaining high system availability pursuant to CERC norms. Further, as we have been designated as the CTU by the GoI, we have no direct competitors of significant size for our transmission business. In addition, many aspects of our core transmission business are characterized by a stable business model with low volatility and consistent returns. Our core business benefits from consistent and growing demand for power transmission and we provide an essential input for economic and societal growth. Because our transmission business has remained at our core since we commenced commercial operations, we have experience in managing our internal processes and systems, employees and physical assets. We rely on proven power transmission technologies but we also implement new innovations as opportunities arise.

Diversified business portfolio

Because of our established track record and technical expertise, since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. We are currently involved in 63 domestic consultancy contracts of various sizes. We have worked and we continue to work for various well-known government and private utilities such as: NTPC Limited, GMR Group Energy Sector Companies, Adani Power Limited, Jindal Power Limited, Jaiprakash Power Ventures Limited, EPTCL–Transmission Business and Lanco Power Limited**.** We are currently involved in 12 international consultancy projects in countries as diverse as Afghanistan, Bangladesh, Nigeria, Bhutan, United Arab Emirates, Sri Lanka and Nepal.

We have also leveraged our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines. As at September 30, 2010, the network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. We believe we are also one of the few providers of telecommunications infrastructure with a significant presence in remote and rural areas. The availability of our telecom backbone network has been consistently maintained at 99.9% during Fiscal 2010.

We have received the following licenses to provide telecommunication infrastructure services: Infrastructure Provider Category - I to construct infrastructure assets such as dark fibre, right of way, duct space and towers, Internet Service Provider Category - A licence to provide internet services and a National Long Distance license to provide end to end bandwidth services.

We generated revenues from our consultancy and telecommunications business of ₹ 4,268.9 million and ₹ 3,657.3 million in Fiscal 2010 and 2009, respectively. For the six months ended September 30, 2010, our revenues from our consultancy and telecommunications business amounted to ₹ 2,413.2 million.

Strong financial position and cash flow from operations

We have a strong financial position, which we believe will help us finance our expansion plans in the coming years. Our domestic bonds have been given the highest credit rating since Fiscal 2001, AAA by CRISIL, and LAAA by ICRA, and, since Fiscal 2008, CARE AAA by CARE. As at September 30, 2010, our debt-equity ratio was 2.1:1. Our high credit rating allows us to regularly access the debt markets to raise funds for capital expenditure at competitive rates. Our transmission projects have been funded primarily from cash generated from operations. Our net cash flow from operating activities was ₹ 33,780.7 million, ₹ 66,191.7 million and ₹ 65,906.4 million for the six month period ended September 30, 2010 and the Fiscal 2010 and Fiscal 2009 respectively. Our projects have also been funded in part by loans from the World Bank and the Asian Development Bank, which allow us to take loans at lower rates.

Government support

We believe that we derive a strategic advantage from our strong relationship with the GoI and we occupy a key position in plans for the growth and development of the Indian power sector. The President of India is the promoter of our Company and holds 86.36% of our issued and paid-up equity share capital with the power to appoint all our Directors, and in each year we enter into a memorandum of understanding with the GoI providing for our annual performance targets. The GoI's was supportive in securing the settlement of outstanding dues owed to us by the SEBs. The grant of "Navratna" status by the GoI in May 2008 provided us with strategic and operational autonomy and enhanced financial powers to take investment decisions without seeking GoI approval. The GoI's support also helps us establish international relationships through which we are able to win certain international consultancy projects.

Skilled and experienced senior management team and competent and committed workforce

We believe that our employees posses a level of competence and commitment that provides us with a key differentiator from our competition. 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 our senior management's expertise has played a key role in the growth of our business and in the development of consistent procedures and internal controls. In addition, the skills and diversity of our senior management team give us flexibility to respond to changes in the business environment.

We have been successful in attracting and retaining experienced staff in various areas, including operations, project management, engineering, technology, finance, human resources and law. We believe we have an employee team with a strong blend of experience and motivation. We invest significant resources in employee training and development, and we recruit through university campus selection and a competitive screening process to attract the best talent for entry-level positions.

OUR STRATEGY

Expand and strengthen our transmission network including the adoption of a higher voltage level system

We intend to continue to rapidly increase our capacity to maintain and grow our leadership position and remain as the largest Indian power transmission company. The GoI's Eleventh Five Year Plan commenced on April 1, 2007. The mid-term goal of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of 27,950 MW, which would include our transmission system and that of others. During the Eleventh Five Year Plan, up to March 31, 2010, we invested ₹ 254,405.2 million to further develop the national grid, including expanding inter-regional transmission systems and developing system strengthening schemes and transmission systems for the evacuation of power from central sector generation projects and UMPPs. Based on generation capacity targeted under the Eleventh Five Year Plan, we plan on capital expenditure of an aggregate amount up to ₹ 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012. From April 1, 2010 to September 30, 2010, we had invested ₹ 36,824.6 million.

As at September 30, 2010, we had 68 transmission projects in various stages of implementation. These projects involve approximately 40,000 circuit kilometers of transmission lines and 65 substations with a total power transformation capacity of approximately 106,000 MVA. We are in the process of adopting a higher voltage level system for our new projects. We are currently establishing a +/- 800 kV, 6,000 MW, HVDC, bi-pole line from the North Eastern Region to the Northern Region that we intend to transmit power over a distance of approximately 2,000 kilometers. We are facilitating the development and prototype testing of a 1,200 kV AC transmission system.

On May 31, 2010, the CERC accorded regulatory approval to us to proceed with the execution of nine high capacity transmission corridors, with HVDC links/765 kV UHVAC lines, to facilitate the evacuation of power from various generation projects being developed by independent power producers ("**IPPs**") within India. These nine corridors will help transport electricity from 48 new IPP plants, located in the coal belt, coastal areas capable of importing coal, or hydroelectric-rich areas in the Northeast region. The government-approved cost of the nine high capacity transmission corridors is ₹ 580,610 million. In addition, the Ministry of Power has directed us to construct transmission systems for the proposed 4,000 MW Chhattisgarh UMPP and 4,000 MW Orissa UMPP.

Maintain efficient operating performance by modernising our infrastructure and services and by maintaining industry best practices.

We intend to continue to maintain transmission availability above 99%, to optimise our operating costs and to incorporate more energy-efficient technologies. We are undertaking a range of initiatives to ensure optimal operating performance, including entering into an agreement with UMS Group Inc., an international utility management consulting firm specialising in the utilities industry, in March 2010 for the international benchmarking of our operation and maintenance practices. We intend to identify areas that require improvement and provide a plan for implementing best practices in operations, maintenance and technology.

As part of our continuing focus on efficient preventative maintenance, we have taken initiatives to undertake the aerial patrol of transmission lines by helicopter. If successful, we plan to deploy this system across our network.

We intend to modernize our infrastructure and services and to maintain industry best practices. Remote operation of substations allows for more effective utilization of our manpower and brings direct and indirect returns and benefits both from an operational and cost viewpoint. Currently, 26 of our substations are operated remotely. We are in the early stages of establishing a National Transmission Asset Management Centre and nine Regional Transmission Asset Management Centres to oversee the remote operation of most of our substations and maintenance hubs to cater to the maintenance requirements of nearby groups of substations rather than placing staff in each substation. In addition, we are in the process of developing and procuring 400 kV mobile substations to allow us to promptly restore power and repair damage to our substation facilities in the event of a natural disaster or major failure.

As part of our R&D initiatives we are undertaking a pilot project in the Northern Region involving the deployment of Phasor Measurement Units in a Wide Area Measurement System to potentially give us enhanced real-time situational awareness over our transmission systems in order to improve safety and reliability and to allow for review of significant system disturbances.

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Continue to expand our telecommunications infrastructure operations

We intend to expand our telecommunications infrastructure business. Our telecommunication infrastructure network benefits from the extensive geographic reach of our power transmission network. We anticipate adding to this network in accordance with market requirements. We plan to expand our telecom infrastructure network, including further diversification into value added services such as MPLS-VPN. Our Board has approved a plan to expand our network by approximately 2,000 kilometers in the current financial year.

With the focus now shifting from urban to rural connectivity, we see our role in the telecommunications arena becoming even more significant. We believe our power transmission network presence in rural and remote areas of the country can be leveraged to provide telecommunication services in such areas by co-locating wireless antennas on our tower infrastructure. As such, we are also planning to diversify into the business of leasing our tower infrastructure to independent tower firms and telecommunications service providers. We recently appointed a consultant to prepare the details of a financial feasibility study and draft agreements that will facilitate infrastructure sharing agreements and other tie ups with independent tower firms and telecommunications service providers. Based on a sample of 15,000 of our approximately 100,000 towers in operation, the report prepared by our consultant estimates that 10-15% of our towers are capable of carrying high voltage current and telecommunication signals together without interference. We have also carried out a collaborative study at Ballabgarh, Haryana for installation of antenna on our transmission towers to test suitability and found there was no interference. We are carrying out a pilot leasing project in collaboration with a service provider in the Gangtok area. The pilot leasing project has been in operation for over a year. We have floated tenders for the selection of telecom tower infrastructure providers for utilising our transmission towers in the states of Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir.

Continue to expand our consultancy business

We intend to expand our consulting services in the domestic and international markets. We believe our Company has attractive growth opportunities as the largest power transmission company in India which we can further leverage to the benefit of our consultancy partners. We are focusing on expanding our business internationally and increasing our reach beyond the domestic market. We currently have 12 ongoing international consultancy projects and have recently been awarded projects in Sri Lanka, Afghanistan and Bangladesh. We believe that such initiatives will open new avenues for revenue and margin growth.

Expand our corporate social responsibility initiatives

We are committed to the cause of inclusive and sustainable socio-economic development and intend to expand our involvement in this area through our Corporate Social Responsibility ("**CSR**") policy. Effective in Fiscal 2010, we intend to invest each year in furtherance of our CSR initiatives an amount equivalent to 1% of our net profit after tax from the previous year. In line with our policy, we have taken up various activities addressing socio-economic issues of affected persons. We plan to expand our work in the areas of infrastructure, education, community health, tribal welfare, arts, culture, heritage and vocational training.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our unconsolidated audited financial statements for and as of the fiscal years ended March 31, 2009 and 2010, the unconsolidated, unaudited, limited review profit and loss statement for the six months ended September 30, 2009 and the unconsolidated, unaudited, limited review financial statements for the six months ended September 30, 2010. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and are presented in "***Financial Statements***" on page 184. The summary financial information presented below should be read in conjunction with our audited financial statements, the notes thereto and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 254.

Summary of Stand Alone Profit & Loss Account

(Rs. In Million)

Particulars	Fiscal Year Ended March 31,		Half Year Ended September 30,	
	2009	2010	2009 (Unaudited Reviewed)	2010 (Unaudited Reviewed)
Income :				
Transmission Charges	52828.4	65763.8	32026.7	37755.9
Consultancy Revenue	2159.0	2691.7	960.5	1519.5
Telecom Revenue	1498.3	1577.2	810.7	893.7
Short Term Open Access Income	414.2	1241.8	357.3	1088.4
Other Income	4487.3	3761.3	1997.1	2469.1
Total Income	**61387.2**	**75035.8**	**36152.3**	**43726.6**
Expenditure :				
Employee Remuneration and Benefits	6438.8	7267.0	3655.3	3926.7
Transmission, Administration and Other Expenses	4116.1	5074.3	2007.9	2611.9
Depreciation	10939.7	19796.9	10488.6	10455.1
Provisions	462.3	221.5	21.5	41.5
Interest and Finance Charges	16422.7	15432.4	7688.6	8090.5
Deferred Revenue Expenditure Written Off	18.3	17.8	9.2	8.9
Total Expenditure	**38397.9**	**47809.9**	**23871.1**	**25134.6**
Profit for the year before tax and prior period adjustments	22989.3	27225.9	12281.2	18592.0
Less : Prior Period Expenditure / (Income)	703.6	962.7	(6.1)	23.0
Profit before Tax	**22285.7**	**26263.2**	**12287.3**	**18569.0**
Provision for :				
Current Year Taxes				
Minimum Alternate Tax (MAT)				
- Current Year	3182.5	4303.4	1800.8	3538.5
- Earlier Years	1603.5	(84.3)	262.3	45.9
Total	4786.0	4219.1	2063.1	3584.4
Fringe Benefit Tax				
- Current Year	146.2			
- Earlier Years	(0.2)	(15.0)	(15.0)	
Total	146.0	(15.0)	(15.0)	0.0
Deferred Tax	7184.9	2250.2	3900.9	1493.8
Less : Deferred Tax recoverable	6737.3	600.5	3727.5	55.0
Deferred Tax (net)	447.6	1649.7	173.4	1438.8
Profit after Tax	16906.1	20409.4	10065.8	13545.8

Summary of Stand Alone Assets & Liabilities

(Rs. in Million)

Particulars	As at March 31, 2009	As at March 31, 2010	As at September 30, 2010 (Unaudited Reviewed)
Fixed Assets (A) :			
Gross Block	403193.3	432022.8	477440.6
Less : Depreciation	91908.9	111410.2	121818.8
Net Block	311284.4	320612.6	355621.8
Capital Work-in-Progress	65334.3	102423.7	94758.1
Construction Stores and Advances	67525.7	101798.1	112997.1
Sub -total (A)	444144.4	524834.4	563377.0
Investments (B)	15928.3	14532.2	14851.2
Current Assets, Loans & Advances (C)			
Inventories	2975.7	3449.0	3626.1
Sundry Debtors	13735.6	22148.6	28650.2
Cash and Bank Balances	24288.8	32776.4	35611.6
Other Current Assets	13849.2	4875.2	4741.3
Loans and Advances	28279.9	33024.0	28389.1
Sub -total (C)	83129.2	96273.2	101018.3
Liabilities & Provisions (D)			
Advance Against Depreciation	21595.9	22136.3	22123.8
Grants in Aid	2253.5	1988.2	1856.9
Secured Loans	252882.5	313457.8	336568.7
Unsecured Loans	31771.8	30710.1	29671.5
Deferred Tax Liability(Net)	5385.4	7035.1	8474.0
LDC Development Fund	0.0	164.4	359.7
CSR Activities Reserve	0.0	83.9	161.1
Current Liabilities	61233.7	76346.0	78828.7
Provisions	21898.2	24582.9	28792.0
Sub-total (D)	397021.0	476504.7	506836.4
NET WORTH (A+B+C-D)	**146180.9**	**159135.1**	**172410.1**
Represented by :			
Share Capital (E)	42088.4	42088.4	42088.4
Reserves and Surplus	**104147.5**	**117330.6**	**130871.9**
Less : LDC Development Fund	0.0	164.4	359.7
Less : CSR Activities Reserve	0.0	83.9	161.1
Reserves and Surplus (F)	104147.5	117082.3	130351.1
Miscellaneous expenditure (G)	55.0	35.6	29.4
NET WORTH (E+F-G)	**146180.9**	**159135.1**	**172410.1**

Statement of Cash Flows

(Rs. in Million)

	Particulars	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 (Unaudited Reviewed)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before tax	22285.7	26263.2	18569.0
	Adjustment for :			
	Depreciation (including prior period)	11159.3	19787.3	10491.3
	Transfer from Grants in Aid	(214.5)	(265.3)	(131.3)
	Adjustment against General Reserve	0.0	147.2	0.0
	Amortised Expenditure(DRE written off)	18.3	17.8	8.9
	Provisions	386.0	132.6	(363.2)
	Self Insurance	(0.4)	(3.4)	(4.5)
	Net Loss on Disposal / Write off of Fixed Assets	38.2	38.3	23.4
	Interest and Finance Charges	25320.9	15432.4	8090.5
	FERV gain	0.0	(46.9)	0.0
	Interest earned on bonds/Loans to State Govts.	(1329.9)	(1164.1)	(520.0)
	Dividend received	(195.4)	(243.7)	(427.2)
	Operating profit before Working Capital Changes	**57468.2**	**60095.4**	**35736.9**
	Adjustment for :			
	Trade and other Receivables	1535.2	(7879.5)	(6173.7)
	Inventories	(493.2)	(473.2)	(177.1)
	Trade payables and other liabilities	24979.8	15276.8	23.3
	Other current assets	286.5	(240.1)	(166.2)
	Deferred Income/Expenditure from Foreign Currency Fluctuation(Net)	6177.6	(4394.1)	297.6
	Deferred Foreign Currency Fluctuation Asset/Liability(Net)	(14348.6)	9681.6	2.5
	Loans and Advances	(8157.5)	(3576.8)	6552.2
	Deferred Revenue Expenditure	(1.4)	1.6	(2.7)
		9978.4	**8396.3**	**355.9**
	Direct taxes paid (including FBT)	(1540.2)	(2300.0)	(2312.1)
	Net Cash from operating activities	**65906.4**	**66191.7**	**33780.7**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Fixed assets (including incidental expenditure during construction)	(7708.2)	(1477.0)	(1875.1)
	Capital work in progress	(53528.9)	(64777.2)	(35956.1)
	Advances for capital expenditure	(32998.9)	(34272.4)	(11199.0)
	(Increase)/Decrease in Investments - Bonds and others	1828.9	1866.3	25.0
	(Increase)/Decrease in investments -JVs and Subsidiaries	(395.0)	(470.6)	(344.0)
	Lease receivables	(290.7)	1114.5	(390.6)
	Interest earned on bonds/Loans to State Govts.	1329.9	1164.1	520.0
	Dividend received	195.4	243.7	427.2
	Net cash used in investing activities	**(91567.5)**	**(96608.6)**	**(48011.4)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Loans raised during the year - Long Term Gross loan raised without FERV Adjustment Rs. 80237.3 million (Previous Year Rs. 5717.0 million)	76298.5	68487.7	37869.5

Loans repaid during the year - Long Term	(14278.9)	(13927.2)	(8297.2)
Loans raised during the year - Short Term	7500.0	12500.0	0.0
Loans repaid during the year - Short Term	(7500.0)	(7500.0)	(7500.0)
Interest and Finance Charges Paid	(24816.4)	(14746.8)	(5006.4)
Dividend paid	(5050.8)	(5050.8)	0.0
Dividend Tax paid	(858.4)	(858.4)	0.0
Net Cash from Financing Activities	**31294.0**	**38904.5**	**17065.9**
D. Net change in Cash and Cash equivalents(A+B+C)	**5632.9**	**8487.6**	**2835.2**
E. Cash and Cash equivalents(Opening balance)	18655.9	24288.8	32776.4
F. Cash and Cash equivalents(Closing balance)	**24288.8**	**32776.4**	**35611.6**

Note:

Cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 33965.5 million (for the year 2009-10 Rs. 29296.6 million and Rs. 16198.2 million for 2008-09) not available for use by the Company.

THE ISSUE

Issue	841,768,246 Equity Shares
Of which	
Fresh Issue	420,884,123 Equity Shares
Offer for Sale	420,884,123 Equity Shares*
Of which	
Employee Reservation Portion[#]	3,389,600 Equity Shares
Therefore,	
Net Issue to the Public[#]	**838,378,646 Equity Shares**
Of which	
A) QIB Portion**	Up to 419,189,323 Equity Shares***
Of which	
Available for allocation to Mutual Funds only	20,959,467 Equity Shares ***
Balance for all QIBs including Mutual Funds	398,229,856 Equity Shares***
B) Non-Institutional Portion	Not less than 125,756,797 Equity Shares***
C) Retail Portion	Not less than 293,432,526 Equity Shares***
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	4,208,841,230 Equity Shares
Equity Shares outstanding after the Issue	4,629,725,353 Equity Shares
Use of Issue proceeds	See the section titled "***Objects of the Issue***" on page 43

** The Equity Shares offered by the Selling Shareholder in the Issue have been held by it for more than a period of one year as on the date of filing of this Red Herring Prospectus. The MoP, through its letter (F. No. 11/10/2010-PG) dated July 27, 2010, conveyed the approval granted by the GoI for the Issue, including the Offer for Sale.*

*** 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Issue Price. For more information, see "**Issue Procedure**" on page 376. Allocation will be made on a proportionate basis.*

**** In the event of over-subscription, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Issue Price.*

[#] Any under-subscription in the Employee Reservation Portion will be added to the Net Issue. In the event of under-subscription in the Net Issue, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Issue Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange.

Our Company and the Selling Shareholder, in consultation with the BRLMs, proposes a discount of 5% of the Issue Price determined pursuant to completion of the Book Building Process, to Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion.

For more information, see "***Terms of the Issue***" on page 372.

GENERAL INFORMATION

Our Company was incorporated on October 23, 1989 under the Companies Act as a public limited company under the name 'National Power Transmission Corporation Limited'. We received a certificate for commencement of business on November 8, 1990. The name of our Company was changed to its present name 'Power Grid Corporation of India Limited' and a fresh certificate of incorporation was issued on October 23, 1992. For further details, see "***History and Certain Corporate Matters***" on page 130.

Registered Office of our Company

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

Corporate Office of our Company

"Saudamini", Plot No. 2, Sector 29,
Gurgaon 122 001
Haryana
India
Tel: +91 (124) 2571 968
Fax: +91 (124) 2571 891

Details	Registration/Identification number
Registration Number	55-38121
Corporate Identification Number	L40101DL1989GOI038121

For more information on changes in our Registered Office, see "***History and Certain Corporate Matters***" on page 130.

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 Red Herring Prospectus:

Name, Designation and DIN	Age	Address
Mr. S.K. Chaturvedi	59	Bungalow No. FF1, Powergrid Residential Township, Complex,

Name, Designation and DIN	Age	Address
Designation: Chairman and Managing Director **DIN:** 00007840		Sector - 43, Gurgaon 122 002, Haryana
Mr. J. Sridharan **Designation:** Director (Finance) - Whole-time **DIN:** 00245043	59	Bungalow No. GG3, Powergrid Residential Township Complex, Sector – 43, Gurgaon 122 002, Haryana
Mr. V.M. Kaul **Designation:** Director (Personnel) - Whole-time **DIN:** 00015245	58	485, Mandakini Enclave, New Delhi 110 019
Mr. R.N. Nayak **Designation:** Director (Operations) - Whole-time **DIN:** 02658070	55	Bunglow No. GG2, Powergrid Residential Township, Complex, Sector – 43, Gurgaon 122 002, Haryana
Mr. I.S. Jha **Designation:** Director (Projects) - Whole-time **DIN:** 00015615	51	House No. 654, Sector 10 A, Gurgaon 122001, Haryana
Dr. M. Ravi Kanth **Designation:** Government Nominee **DIN:** 01612905	49	D-II/25, Shahjahan Road, New Delhi 110 011
Mr. Rakesh Jain **Designation:** Government Nominee **DIN:** 02682574	53	D-II/62, Kaka Nagar, New Delhi 110 003
Mr. S.C. Tripathi **Designation:** Independent Director **DIN:** 00941922	64	House No. 27, Sector – 15A, Noida 201 301, Uttar Pradesh
Mr. Ashok Khanna **Designation:** Independent Director **DIN:** 01510677	62	House No. 765, Sector – 8B, Chandigarh 160 008, Punjab
Mrs. Sarita Prasad **Designation:** Independent Director **DIN:** 02288208	64	C-622, Ground Floor, New Friends Colony, New Delhi 110 025
Dr. P.K. Shetty **Designation:** Independent Director **DIN:** 01661260	48	386, Krishna, 4th Cross, I Block, R. T. Nagar, Bangalore 560 032 Karnataka
Dr. A. S. Narag **Designation:** Independent Director	64	24, Cavalry Lines, University Campus, Delhi 110 007

Name, Designation and DIN	Age	Address
DIN: 01677040		
Mr. Anil K. Agarwal **Designation:** Independent Director **DIN:** 00000100	55	House No. A-1, Anand Niketan, New Delhi 110 021
Mr. F. A. Vandrevala **Designation:** Independent Director **DIN:** 00956609	60	1802-18th floor, Evita, Central Avenue, Hiranandani Garden, Powai, Mumbai 400 076, Maharashtra

For further information, see “***Our Management***” on page 164.

Company Secretary and Compliance Officer

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

Bidders may contact our Company Secretary and Compliance Officer, the BRLMs 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 and credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

Book Running Lead Managers

SBI Capital Markets Limited
202, Maker Tower E
Cuffe Parade
Mumbai 400 005
Maharashtra
India
Tel: +91 (22) 2217 8300
Fax: +91 (22) 2218 8332
Email: powergrid.fpo@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Harsh Soni/Ms. Neha Pruthi
SEBI Registration No.: INM000003531

Goldman Sachs (India) Securities Private Limited
951-A Rational House
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra
India
Tel: +91 (22) 6616 9000
Fax: +91 (22) 6616 9090
Email: powergrid.fpo@gs.com
Investor Grievance E-mail: india-client-support@gs.com
Website: http://www2.goldmansachs.com/worldwide/india/indian_offerings.html
Contact Person: Ms. Priya Subbaraman
SEBI Registration No.: INM000011054

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Churchgate
Mumbai 400 020
Maharashtra
India

J.P. Morgan India Private Limited
J.P. Morgan Tower
Off C.S.T. Road
Kalina, Santacruz (East)
Mumbai 400 098
Maharashtra

Tel: +91 (22) 2288 2460
Fax: +91 (22) 2282 6580
Email: powergrid.fpo@icicisecurities.com
Investor Grievance E-mail: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Mr. Vishal Kanjani
SEBI Registration No.: INM000011179

India
Tel: + 91 (22) 6157 3000
Fax: + 91 (22) 6157 3911
Email: project-powergridfpo@jpmorgan.com
Investor Grievance E-mail: investorsmb.jpmipl@jpmorgan.com
Website: www.jpmipl.com
Contact Person: Mr. Manu Midha
SEBI Registration No.: INM000002970

Syndicate Members

SBICAP Securities Limited
191, Maker Tower F
19th Floor, Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: +91 (22) 3047 8591
Fax: +91 (22) 3046 8670
E-mail: archana.dedhia@sbicapsec.com
Website: www.sbicapsec.com
Contact Person: Ms. Archana Dedhia
SEBI Registration Nos.: BSE: INB011053031, NSE: INB231052938

India Infoline Limited
10th Floor, One IBC
841, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
India
Tel: +91 (22) 4646 4600
Fax: +91 (22) 2421 5600
E-mail: project.powergrid@iiflcap.com
Website: www.iiflcap.com
Contact Person: Mr. Pinak R. Bhattacharyya
SEBI Registration Nos.: INM000010940

Domestic Legal Advisors to our Company and the Selling Shareholder

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

Domestic Legal Advisors to the Underwriters

AZB & Partners
AZB House
Plot No. A8, Sector 4
Noida 201 301
Uttar Pradesh

India
Tel: +91 (120) 4179 999
Fax: +91 (120) 4179 900

International Legal Counsel to our Company and the Selling Shareholder

Dorsey & Whitney (Australia) LLP
Level 31, Aurora Place
88, Philip Street
Sydney
New South Wales 2000
Australia
Tel: +61 (02) 8211 0435
Fax: +61 (02) 8211 0555

International Legal Counsel to the Underwriters

O'Melveny & Myers LLP
9 Raffles Place
22-01/02 Republic Plaza 1
Singapore 048619
Tel: + (65) 6593 1800
Fax: + (65) 6593 1801

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17 - 24, Vithal Rao Nagar
Madhapur
Hyderabad 500 081
India
Tel : + (91 40) 4465 5000
Fax : + (91 40) 2343 1551
E-mail: pgcil.fpo@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Muralikrishna
SEBI Registration No: INR000000221

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the Applications Supported by Blocked Amount ("**ASBA**") Process are provided on http://www.sebi.gov.in/pmd/scsb.pdf. For more information on the Designated Branches collecting ASBA Bid cum Application Forms, see the above SEBI link.

Bankers to our Company

Punjab National Bank
ECE House, 28A, K.G. Marg
New Delhi 110 001
India
Tel : +91 (11) 2373 9131
Fax: +91 (11) 2371 0118
E-mail : pnbecehouse@hotmail.com
Website: www.pnbindia.com
Contact Person: Ms. Rita Bublani

IDBI Bank Limited
Indian Red Cross Building
1 Red Cross Road
New Delhi 110 001
India
Tel : +91 (11) 6628 1025
Fax: +91 (11) 2375 2730
E-mail : jaiprakash_nathaniel@idbibank.co.in
Website: www.idbi.com
Contact Person: Mr. M. Jai Prakash

Bank of Baroda
Madhuban 55, Nehru Place
New Delhi 110 019
India
Tel : +91 (11) 2641 4979
Fax: +91 (11) 2646 3657
E-mail : nehrup@bankofbaroda.com
Website: www.bankofbaroda.com
Contact Person: Mr. S. K. Khanna

Canara Bank
Prime Corporate, Br. I
No. 1, DDA Building, First Floor
38 Nehru Place
New Delhi 110 019
India
Tel : +91 (11) 2641 1518
Fax: +91 (11) 2641 6895
E-mail : agmdelhi@canbank.co.in
Website: www.canarabank.com
Contact Person: Mr. Devendra Arora

Union Bank of India
73-74 Sheetla House, Nehru Place
New Delhi 110 019
India
Tel : +91 (11) 2641 2541
Fax: +91(11) 2621 6937
E-mail : nehruplace@unionbankofindia.com
Website: www.unionbankofindia.co.in
Contact Person: Mr. R. A. Pal

State Bank of Hyderabad
16 Kundan House, Nehru Place
New Delhi 110 019
India
Tel : +91 (11) 2647 0229
Fax: +91 (11) 2642 1638
E-mail : sbhnehruplace@yahoo.co.in
Website: www.sbhyd.com
Contact Person: Mr. M. A. Subhan and Mr. G. Krishna Mohan

Dena Bank
35-36 Agarwal Bhawan
First Floor, Nehru Place
New Delhi 110 019
India
Tel : +91 (11) 2643 1420
Fax: +91 (11) 2647 9877
E-mail : nehrup@denabank.com
Website: www.denabank.com
Contact Person: Mr. Pankaj B. Gupta

ICICI Bank Limited
9A Phelps Building, Connaught Place
New Delhi 110 001
India
Tel : +91 (11) 6631 0340
Fax: +91 (11) 6631 0420
E-mail : madhur.jain@icibank.com
Website: www.icicibank.com
Contact Person: Mr. Madhur Jain

State Bank of Bikaner & Jaipur
Bassi
Jaipur 303 301
Rajasthan
India
Tel: +91 (1429) 222 226
Fax: +91 (1429) 222 226
E-mail: sbbj10039@sbbj.co.in
Website: www.sbbj.co.in
Contact Person: Mr. Ashok Mera

Jammu & Kashmir Bank
G-40 Connaught Place
New Delhi 110 001
India
Tel : +91 (11) 4151 6126
Fax: +91 (11) 4162 7506
E-mail : circus@jkmail.com
Website: www.jkbank.net
Contact Person: Mr. Khurshid A. Fazil

HDFC Bank Limited
B-6/3 Safdarjung Enclave
DDA Commercial Complex
Opposite Deer Park
New Delhi 110 029
India
Tel: +91 (11) 4139 2121
Fax: +91 (11) 4165 2283
E-mail: l.k.dhamija@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. L. K. Dhamija

State Bank of Patiala
Chandralok Building, 2nd Floor
36 Janpath
New Delhi 110 001
India
Tel : +91 (11) 2332 1398
Fax : +91 (11) 2335 4365
Email : sbpcbnd@yahoo.co.in
Website : www.statebankofpatiala.com
Contact Person : Mr. Suyash Asthana

Allahabad Bank
Palm Road, Civil Lines
Post Box No. 14
Nagpur 440 001
Maharashtra
India
Tel: +91 (712) 2533 255/+91 (712) 2550 742
Fax: +91 (712) 2521 460
E-mail: br.nag_nagpur_c1@allahabadbank.in
Website: www.allahabadbank.in
Contact Person: Mr. P. K. Auddy

Central Bank of India
Near Anjali Cinema Hall
Shillong 793 001
Meghalaya
India
Tel : +91 (364) 2544 154
Fax : +91 (364) 2545 892
E-mail : bmguwa@centralbank.co.in
Website : www.centralbankofindia.co.in
Contact Person : Mr. H. B. Lenka

Indian Bank
Mehrauli Institutional Area
ISI Campus, 7 S. J. S. Marg
Katwaria Sarai, Hauz Khas
New Delhi 110 016
India
Tel: +91 (11) 2696 2276
Fax: +91 (11) 2685 0578
E-mail: mehrauliinstitutionalarea@indianbank.co.in
Website: www.indianbank.in
Contact Person: Mr. S. Ramachandran Rao

State Bank of Mysore
Kaggalipura
Bangalore South Taluk
Bangalore 560 062
Karnataka
India
Tel: +91 (80) 2843 2222
Fax: +91 (80) 2843 2826
E-mail: kaggalipura@sbm.co.in
Website: www.statebankofmysore.co.in
Contact Person: Mr. Narayan Bhat

State Bank of Travancore
P.B. No. 1, Kakkanad Civil Station Building
Kakkanad, P.O., Ernakulam 682 030
Kerala
India
Tel: +91 (484) 2423 843
Fax: +91 (484) 2422 242
E-mail: kakkanades@sbt.co.in
Website: www.statebankoftravancore.com
Contact Person: Mr. Sudha Raja Verma

Bank of India
Patna Main Branch
Uday Bhawan, Fraser Road
Patna 800 001
Bihar
India
Tel: +91 (612) 2231 337
Fax: +91 (612) 2221 266
E-mail: Chandra.Prasad@bankofindia.co.in
Website: www.bankofindia.com
Contact Person: Mr. Chandra Bhushan Prasad

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
India
Tel : +91 (22) 6631 0322/6631 0312
Fax: +91 (22) 2261 1138/6631 0350
E-mail : viral.bharani@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Viral Bharani
SEBI Registration Number: INBI00000004

Union Bank of India
Marketing Government Cell
M-11, 2nd Floor, Middle Circle
Connaught Circus New Delhi 110 001
India
Tel : +91 (11) 2341 4229
Fax: +91 (11) 2341 3686
E-mail : hkbehera@unionbankofindia.com
Website: www.unionbankofindia.com
Contact Person: Mr. H.K. Behera
SEBI Registration Number: INBI00000006

IDBI Bank Limited
Unit No.2, Corporate Park
Sion Trombay Road
Chembur, Mumbai 400 071
India
Tel : +91 (22) 6690 8402
Fax: +91 (22) 2528 6173
E-mail : mn.kamat@idbi.co.in
Website: www.idbibank.com
Contact Person: Mr. M.N. Kamat
SEBI Registration Number: INBI00000076

YES Bank Limited
2nd Floor, Tiecicon House
Dr. E. Moses Road
Mahalaxmi, Mumbai 400 011
India
Tel : +91 (22) 6622 9031
Fax: +91(22) 2497 4875
E-mail : dlbtiservices@yesbank.in
Website: www.yesbank.in
Contact Person: Mr. Mahesh Sirali
SEBI Registration Number: INBI00000935

HDFC Bank Limited
FIG-OP5 Department
HDFC Bank Limited
Lodha – I, Think Techno Campus
O-3 Level, Next to Kanjurmarg Railway Station
Kanjurmarg (East), Mumbai 400 042
India
Tel : +91 (22) 3075 2928
Fax: +91 (22) 2579 9801
E-mail : deepak.rane@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Deepak Rane
SEBI Registration Number: INB100000063

Axis Bank Limited
148, Statesman House
Barakhamba Road
New Delhi 110 001
India
Tel : +91 (11) 2331 1043/4152 1301
Fax: +91 (11) 2331 1054
E-mail : amit.mishra@axisbank.com
Website: www.axisbank.com
Contact Person: Mr. Amit Mishra
SEBI Registration Number: INBI00000017

Indusind Bank Limited
Cash Management Services
IBL House, 1st Floor
Cross B Road, MIDC, J.B. Nagar
Off-Andheri Kurla Road, Andheri (East)
Mumbai 400 059
India
Tel: +91 (22) 6772 8721
Fax: +91 (22) 6641 2349
E-mail: prasanna.vaidyanathan@indusind.com
harpal@indusind.com
Website: www.indusind.com
Contact Person: Ms. Prasanna Vaidyanathan/
Mr. Harpal Singh
SEBI Registration Number: INBI00000002

Kotak Mahindra Bank Limited
5th Floor, Dani Corporate Park
158 CST Road, Santacruz (E)
Mumbai 400 098
India
Tel: +91 (22) 6759 5336
Fax: +91 (22) 6759 5374
E-mail: amit.kr@kotak.com
Website: www.kotak.com
Contact Person: Mr. Amit Kumar
SEBI Registration Number: INBI00000927

State Bank of India
Videocon Heritage (Killie House), Ground Floor
Charanjit Rai Marg
Mumbai 400 001
India
Tel: +91 (22) 2209 4932
Fax: +91 (22) 2209 4921
E-mail: nib.11777@sbi.co.in /
sbi11777@yahoo.co.in
Website: www.statebankofindia.com
Contact Person: Ms. Surekha Shinde
SEBI Registration Number: INBI00000038

Refund Banks

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
India
Tel : +91 (22) 6631 0322/6631 0312
Fax: +91 (22) 2261 1138/6631 0350
E-mail : viral.bharani@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Viral Bharani
SEBI Registration Number: INBI00000004

IDBI Bank Limited
Unit No.2, Corporate Park
Sion Trombay Road
Chembur, Mumbai 400 071
India
Tel : +91 (22) 6690 8402
Fax: +91 (22) 2528 6173
E-mail : mn.kamat@idbi.co.in
Website: www.idbibank.com
Contact Person: Mr. M.N. Kamat
SEBI Registration Number: INBI00000076

HDFC Bank Limited
FIG-OP5 Department
HDFC Bank Limited
Lodha – I, Think Techno Campus
O-3 Level, Next to Kanjurmarg Railway Station
Kanjurmarg (East), Mumbai 400 042
India
Tel : +91 (22) 3075 2928
Fax: +91 (22) 2579 9801
E-mail : deepak.rane@hdfcbank.com

Website: www.hdfcbank.com
Contact Person: Mr. Deepak Rane
SEBI Registration Number: INB100000063

Statutory Auditors of our Company

A. R & Company
C-1, IInd Floor, R.D.C.,
Raj Nagar,
Ghaziabad 201 002
Uttar Pradesh
India
Tel: +91 (120) 275 5869/+91 9810444051
Fax: +91 (120) 2755 125
Email: pawangoel@sify.com
Firm Registration No.: 002744C

Umamaheshwara Rao & Co.
Flat No. 5-H, "D" Block
8-3-324, Krishna Apartments
Yellareddyguda Lane
Ameerpet, "X" Roads
Hyderabad 500 073
Andhra Pradesh
India
Tel: +91 (40) 2375 1833
Fax: +91 (40) 2375 1823
Email: ucognt@yahoo.co.in
Firm Registration No.: 004453S

S R I Associates
3-B, Garstin Place
Kolkata 700 001
West Bengal
India
Tel: +91 (33) 2210 1175
Fax: +91 (33) 2248 6771
Email: sasso@cal2.vsnl.net.in
Firm Registration No.: 305109E

Credit Rating

As the Issue is of Equity Shares, credit rating is not required.

Trustees

As the Issue is of Equity Shares, the appointment of trustees is not required.

IPO Grading

As this is not an initial public offer ("**IPO**") of our Company's Equity Shares, grading of this Issue is not required.

Monitoring Agency

IFCI Limited
IFCI Tower
61, Nehru Place
New Delhi 110 019
India
Tel: +91 (11) 4173 2000
Fax: +91 (11) 2648 7424
Email: ciasd@ifciltd.com
Website: www.ifciltd.com

The Monitoring Agency has been appointed pursuant to Regulation 16 of the SEBI Regulations.

Experts

Except for the Auditor's Report of the Auditors of our Company on the audited financial information, included in this Red Herring Prospectus, our Company has not obtained any expert opinions.

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the *inter se* allocation of responsibilities for various activities in relation to this Issue among the BRLMs:

S. No.	Activity	Responsibility	Designated Coordinating Book Running Lead Manager
1.	Capital structuring with relative components and formalities such as type of instruments., etc.	SBICAP, GS, JPM, I-Sec	SBICAP
2.	Due-diligence of our Company including operations/management/business plans/legal, etc. drafting and design of this Red Herring Prospectus including the memorandum containing salient features of the Prospectus. The Book Running Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing	SBICAP, GS, JPM, I-Sec	SBICAP
3.	Drafting and approving all statutory advertisements	SBICAP, GS, JPM, I-Sec	SBICAP
4.	Drafting and approving non-statutory advertisements including corporate advertisements	SBICAP, GS, JPM, I-Sec	I-Sec
5.	Preparation and finalization of the road-show presentation and frequently asked questions for the road-show team	SBICAP, GS, JPM, I-Sec	GS
6.	Appointment of intermediaries, viz., i. Printer(s) ii. Registrar to the Issue iii. Advertising agency iv. Bankers to the Issue	SBICAP, GS, JPM, I-Sec	i. Printer(s): I-Sec ii. Registrar to the Issue: JPM iii. Advertising agency: I-Sec iv. Bankers to the Issue: JPM

S. No.	Activity	Responsibility	Designated Coordinating Book Running Lead Manager
7.	Non-institutional and retail marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget • Finalizing media and public relations strategy • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Issue material including application form, prospectus and deciding on the quantum of the Issue material • Finalizing collection centers	SBICAP, GS, JPM, I-Sec	I-Sec
8.	International Institutional marketing International Institutional marketing of the Issue, which will cover, *inter alia*, • Institutional marketing strategy • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules	SBICAP, GS, JPM, I-Sec	GS
9.	Domestic Institutional marketing • Domestic Institutional marketing of the Issue • Finalizing the list and division of investors for one to one meetings • Finalizing road show schedule and investor meeting schedules	SBICAP, GS, JPM, I-Sec	I-Sec
10	Co-ordination with Stock Exchanges for Book Building Process software, bidding terminals and mock trading	SBICAP, GS, JPM, I-Sec	GS
11	Managing the book and finalisation of pricing in consultation with our Company	SBICAP, GS, JPM, I-Sec	GS
12	Post bidding activities including essential follow-up steps with Bankers to the Issue and Self Certified Syndicate Bank to get quick estimates of collection and advising the Company about the closure of Issue, management of escrow accounts, co-ordination of allocation, finalization of basis of Allotment/weeding out of multiple applications, intimation of allocation and dispatch of certificates or demat credit and refunds to bidders, dealing with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue, Self Certified Syndicate Banks and the bank handling refund business, etc. The designated coordinating Book Running Lead Manager shall be responsible for ensuring that the intermediaries fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company.	SBICAP, GS, JPM, I-Sec	JPM

Book Building Process

Book building refers to the process of collection of Bids on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the ASBA Forms. The Issue Price will be determined by the

Selling Shareholder and our Company, in consultation with the BRLMs, after the Bid Closing Date. The principal parties involved in the Book Building Process are:

1. Our Company;
2. The Selling Shareholder;
3. The BRLMs;
4. Syndicate Members;
5. The Registrar to the Issue;
6. The Escrow Collection Banks; and
7. SCSBs.

The Issue is being made through the Book Building Process wherein up to 50% of the Net Issue will be allocated to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Issue Price. Further, 3,389,600 Equity Shares will be made available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in the Issue through the ASBA process by providing details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. For more information, specific attention is invited to "***Issue Procedure***" on page 376. Any unsubscribed portion in any reserved category will be added to the Net Issue to the public. Under subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange. For more information on Bids by Mutual Funds, see "***Issue Procedure***" on page 376.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid Closing Date for QIBs, i.e., November 11, 2010. For further details, see "***Issue Structure***" on page 368.

We will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

The Book Building Process under the SEBI Regulations is subject to change from time to time and Bidders are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Steps to be taken by the Bidders for Bidding:

- Check eligibility for making a Bid. For further details, see "***Issue Procedure***" on page 376;
- Ensure that you have a PAN and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Form, as the case may be;
- Ensure that the Bid cum Application Form or the ASBA Form is duly completed as per the instructions given in the Red Herring Prospectus and in the respective forms;
- Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Form (see "***Issue Procedure***" on page 376). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the Bidders that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
- Ensure the correctness of your PAN, DPID and Client ID given in the Bid cum Application Form and the ASBA Form. Based on these three parameters, the Registrar to the Issue will

obtain details of the Bidders from the Depositories including Bidder's name, bank account, number, etc.;

- Bids by QIBs (excluding ASBA Bidders) will only have to be submitted to the BRLMs and their affiliates; and
- Bids by ASBA Bidders will have to be submitted to the Designated Branches. ASBA Bidders should ensure that the specified bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Form is not rejected.

Illustration of Book Building Process and the Price Discovery Process

(Bidders should note that the following is solely for the purpose of illustration and is not specific to the Issue)

Bidders can bid at any price within the Price Band. For instance, assuming a price band of ₹ 20 to ₹ 24 per share, an offer size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book shown below indicates the demand for the shares of the company at various prices and is collated from bids from various bidders.

Bid Quantity	Bid Price (₹)	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 offeror is able to issue the desired number of shares is the price at which the book cuts off, i.e., ₹ 22 in the above example. The offeror, in consultation with the BRLMs, will finalize the issue price at or below such cut off, i.e., at or below ₹ 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.

Withdrawal of the Issue

In accordance with the SEBI Regulations, our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at anytime including after the Bid Opening Date but before Allotment. Provided, if the Selling Shareholder and our Company withdraw the Issue after the Bid Closing Date, our Company will give the reason thereof within two days of the Bid Closing Date by a public notice in the same newspapers where the pre-Issue advertisement had appeared. The Stock Exchanges will also be informed promptly and the BRLMs, through the Registrar to the Issue, will notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Issue after the Bid Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with the public offering.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company will apply for after Allotment, and (ii) the final RoC approval of the Prospectus.

In terms of the SEBI Regulations, QIBs are not allowed to withdraw their Bids after the Bid Closing Date. Since, the Bidding Period for QIBs closes one day prior to the Bid Closing Date for other non-QIB Bidders, QIBs will not be able to withdraw their Bids after November 11, 2010.

BIDDING PROGRAMME			
BID OPENS ON	NOVEMBER 9, 2010	BID CLOSES ON (FOR QIB BIDDERS)	NOVEMBER 11, 2010
		BID CLOSES ON (FOR ALL OTHER BIDDERS)	NOVEMBER 12, 2010

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period at the Bidding centers mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches, **except that on the Bid Closing Date (which for QIBs will be a day prior to the Bid Closing Date for other non-QIB Bidders), Bids will be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders, Retail Bidders and Eligible Employees; and until (ii) 4.00 p.m. for Non-Institutional Bidders. Due to limitation of time available for uploading the Bids on the Bid Closing Date, Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Bid Closing Date and no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders other than QIB Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will be accepted only on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).

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

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The Cap Price will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band as disclosed at least one Working Day prior to the Bid Opening Date and the upper end of the Price Band will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and by intimation to the SCSBs.

Underwriting Agreement

After the determination of the Issue Price, but prior to filing of the Prospectus with the RoC, our Company and the Selling Shareholder intend to enter into an underwriting agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue as per the SEBI

Regulations. Pursuant to the terms of the underwriting agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The underwriting agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten*	Amount Underwritten (In ₹ million)*
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

**The information will be finalized after determination of the Issue Price and finalization of the 'basis of allocation'.*

In the opinion of the Board of Directors (based on a representation given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. Each of the Underwriters is registered with SEBI under Section 12(1) of the SEBI Act or as a broker with the Stock Exchanges. Pursuant to a meeting of a committee of our Directors held on [●], 2010, the Selling Shareholder and our Board have accepted and entered into the Underwriting Agreement dated [●], 2010.

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

CAPITAL STRUCTURE

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

(₹ in million, except share data)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorised Capital*		
10,000,000,000 Equity Shares of ₹ 10 each	100,000.0	-
B. Issued, Subscribed and Paid-Up Capital before the Issue		
4,208,841,230 Equity Shares of ₹ 10 each	42,088.4	-
C. Present Issue in terms of this Red Herring Prospectus**		
Issue of : 841,768,246 Equity Shares of ₹ 10 each fully paid up	8,417.7	[•]
Comprising :		
• Fresh Issue of 420,884,123 Equity Shares of ₹ 10 each fully paid-up.	4,208.8	[•]
• Offer for Sale of 420,884,123 Equity Shares of ₹ 10 each fully paid-up.	4,208.8	[•]
D. Employee Reservation in terms of this Red Herring Prospectus		
Up to 3,389,600 Equity Shares of ₹ 10 each fully paid up	33.9	[•]
E. Net Issue to the Public		
838,378,646 Equity Shares of ₹ 10 each fully paid up	8,383.8	[•]
Of Which:		
QIB Portion of up to 419,189,323 Equity Shares:	4,191.9	[•]
Non-Institutional Portion of not less than 125,756,797 Equity Shares (available for allocation):	1,257.6	[•]
Retail Portion of not less than 293,432,526 Equity Shares (available for allocation):	2,934.3	[•]
F. Equity Capital after the Issue		
4,629,725,353 Equity Shares of ₹ 10 each fully paid up	46,297.3	[•]
G. Share Premium Account		
Before the Issue (as on September 30, 2010)	15,831.4	
After the Issue	[•]	

* *For more information on changes in the authorised share capital of our Company, see "**History and Certain Corporate Matters**" on page 130.*

*** The Issue has been authorised by a resolution of our Board dated July 2, 2010, and a resolution of our shareholders, by way of a postal ballot, dated October 8, 2010. The MoP, through its letter (F. No. 11/10/2010-PG) dated July 27, 2010, conveyed the approval by the GoI for the Issue.*

The Selling Shareholder has offered 420,884,123 Equity Shares as part of the Issue. This amounts to 10% of the pre-Issue equity capital of our Company. The Equity Shares constituting the Offer for Sale portion have been held by the Selling Shareholder for a period of at least one year prior to the filing of the Prospectus with the RoC.

The President of India presently holds 86.36% of the issued and paid up equity capital of our Company. After the Issue, the shareholding of the President of India will be 69.42% of the fully diluted post Issue paid-up equity capital of our Company.

Notes to the Capital Structure

1. Build-up of Promoter's shareholding and Lock-in

(a) *Details of the build up of our Promoter's shareholding in our Company:*

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
October 23, 1989	11	1,000	1,000	Cash	Allotment of shares to the President of India, acting through MoP, and his nominees on subscription to the Memorandum and Articles of Association	11
November 9, 1990	5,989	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	6,000
December 24, 1990	10,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	16,000
June 25, 1991	35,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	51,000
October 24, 1991	25,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	76,000
March 9, 1992	435,000	1,000	1,000	Cash	Further issue to the President of India acting through the MoP	511,000
May 13, 1992	100,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	611,000
July 30, 1992	16,700	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	627,700

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
September 22, 1992	11,300	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	639,000
November 19, 1992	36,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	675,000
February 3, 1993	20,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	695,000
March 22, 1993	16,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	711,000
April 22, 1993	40,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	751,000
July 9, 1993	530,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	1,281,000
November 24, 1993	920,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	2,201,000
January 17, 1994	180,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	2,381,000
January 17, 1994	77,819	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	2,458,819
March 18, 1994	370,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	2,828,819
March 18, 1994	52,500	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	2,881,319
June 7, 1994	5,675,000	1,000	1,000	Other than cash against conversion of loan	Further issue to the President of India, acting through MoP	8,556,319
June 7, 1994	1,096,800	1,000	1,000	Partly for consideration	Further issue to the President of	9,653,119

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
				other than cash on account of capitalisation of interest	India, acting through MoP	
September 27, 1994	17,780,511	1,000	1,000	Partly for consideration other than cash against transfer of assets of NTPC Limited, NHPC Limited and North Eastern Electric Power Corporation Limited (“**NEEPCO**”)	Further issue to the President of India, acting through MoP	27,433,630
November 8, 1994	65,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	27,498,630
April 7, 1995	503,600	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,002,230
April 7, 1995	57,179	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,059,409
August 31, 1995	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,109,409
August 31, 1995	84,131	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited	Further issue to the President of India, acting through MoP	28,193,540
January 16, 1996	100,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,293,540
May 21, 1996	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,343,540

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
June 20, 1996	78,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,421,540
March 4, 1997	150,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,571,540
April 10, 1997	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,621,540
September 17, 1997	15,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,636,540
December 6, 1997	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,686,540
February 2, 1998	100,000	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	28,786,540
March 22, 1999	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,836,540
August 12, 1999	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,886,540
April 24, 2000	30,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,916,540
January 5, 2001	50,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	28,966,540
January 5, 2001	35,200	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	29,001,740
March 22, 2001	58,200	1,000	1,000	Cash	Further issue to the President of	29,059,940

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
					India, acting through the MoDoNER	
July 26, 2001	39,300	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	29,099,240
March 28, 2002	1,190,746	1,000	1,000	Partly for consideration other than cash against transfer of assets of Neyveli Lignite Corporation Limited	Further issue to the President of India, acting through MoP	30,289,986
October 25, 2002	62,500	1,000	1,000	Cash	Further issue to the President of India, acting through the MoDoNER	30,352,486
January 28, 2005	1,300,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	31,652,486
September 16, 2005	1,000,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	32,652,486
October 17, 2005	1,250,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	33,902,486
January 17, 2006	600,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	34,502,486
March 27, 2006	1,343,800	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	35,846,286
June 13, 2006	330,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	36,176,286
July 5, 2006	27,787	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited *	Further issue to the President of India, acting through MoP	36,204,073

Date of Allotment/Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
August 3, 2006	1,200,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	37,404,073
November 23, 2006	470,000	1,000	1,000	Cash	Further issue to the President of India, acting through MoP	37,874,073
Each Equity Share of our Company of face value ₹1,000 has been split into 100 Equity Shares of the face value of ₹10 each, pursuant to a shareholders' resolution dated March 28, 2007.						
April 14, 2007	38,812,000	10	10	Other than cash against transfer of assets of National Hydroelectric Power Corporation Limited	Further issue to the President of India, acting through MoP	3,826,219,300
September 26, 2007	(191,310,965)	10	52	Cash	Offer for sale by the President of India, acting through MoP, under the initial public offering by our Company	3,634,908,335

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

(b) ***Equity Shares issued for consideration other than cash:***

Except as detailed below, no Equity Shares of our Company have been issued for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment
June 7, 1994	5,675,000	1,000	1,000	Other than cash against conversion of loan	Further issue to the President of India, acting through MoP
June 7, 1994	1,096,800	1,000	1,000	Partly for consideration other than cash on account of	Further issue to the President of India, acting through MoP

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment
				capitalisation of interest	
September 27, 1994	17,780,511	1,000	1,000	Partly for consideration other than cash against transfer of assets of NTPC Limited, NHPC Limited and NEEPL	Further issue to the President of India, acting through MoP
August 31, 1995	84,131	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited	Further issue to the President of India, acting through MoDoNER
March 28, 2002	1,190,746	1,000	1,000	Partly for consideration other than cash against transfer of assets of Neyveli Lignite Corporation Limited	Further issue to the President of India, acting through MoP
July 5, 2006	27,787	1,000	1,000	Other than cash against transfer of assets of Tehri Hydro Development Corporation Limited*	Further issue to the President of India, acting through MoP
April 14, 2007	38,812,000	10	10	Other than cash against transfer of assets of National Hydroelectric Power Corporation Limited	Further issue to the President of India, acting through MoP

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

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

The post-Issue shareholding of the MoP and the MoDoNER, acting on behalf of the President of India, in our Company shall be locked-in, i.e., an aggregate of 3,214,024,212 Equity Shares, for a period of one year from the date of Allotment or for such other time as may be required in terms of Regulation 36(b) of the SEBI Regulations.

(d) *Other requirements in respect of lock-in:*

As per Regulation 39 read with Regulation 36(b) of the SEBI Regulations, the locked in Equity Shares held by the Promoter, as specified above, may 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 Regulation 40 of the SEBI Regulations, the Equity Shares held by the Promoter may be transferred *inter se* or 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.

2. Shareholding Pattern of our Company

Shareholders	Pre-Issue (as on September 30, 2010)		Post-Issue*	
	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares	Percentage of shareholding
Promoter (A)				
President of India, including where acting through nominees	3,634,908,335	86.36	[•]	[•]
Sub-Total (A)	**3,634,908,335**	**86.36**	**[•]**	**[•]**
Public shareholding (B)				
Institutions (B1)				
Mutual Funds	14,589,747	0.35	[•]	[•]
Financial Institutions/Banks	53,783,686	1.28	[•]	[•]
Insurance Companies	171,044,407	4.06	[•]	[•]
Foreign Institutional Investors	69,267,120	1.65	[•]	[•]
Sub-Total (B)(1)	**308,684,960**	**7.33**	**[•]**	**[•]**
Non-institutions (B2)				
Bodies Corporate	78,429,989	1.86	[•]	[•]
Individuals				
Individual shareholders holding nominal share capital up to ₹ 0.10 million	154,528,588	3.67	[•]	[•]
Individual shareholders holding nominal share capital in excess of ₹ 0.10 million	9,579,873	0.23	[•]	[•]
Non Resident Indians	6,061,846	0.14	[•]	[•]
Foreign Nationals	3,218	Negligible	[•]	[•]
OCBs	2,000	Negligible	[•]	[•]
Trusts	875,662	0.02	[•]	[•]
Clearing Members	3,704,244	0.09	[•]	[•]
HUF	5,965,051	0.14	[•]	[•]
Employees	6,097,464	0.14	[•]	[•]
Sub-Total (B)(2)	**265,247,935**	**6.30**	**[•]**	**[•]**
Public (Pursuant to the Issue) (B)(3)	**0**	**0.00**	**[•]**	**[•]**
Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)	**573,932,895**	**13.64**	**[•]**	**[•]**
GRAND TOTAL	**4,208,841,230**	**100.00**	**[•]**	**[•]**

Shareholders	Pre-Issue (as on September 30, 2010)		Post-Issue*	
	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares	Percentage of shareholding
(A)+(B)				

To be finalized at the time of filing the Prospectus

3. A total of 0.4% of the Issue, i.e. 3,389,600 Equity Shares, has been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at the Issue Price and subject to the maximum Bid Amount by each Eligible Employee not exceeding ₹ 100,000. Only Eligible Employees are eligible to apply in this Issue under the Employee Reservation Portion. Bids by Eligible Employees bidding under the Employee Reservation Portion may also be made in the Net Issue and such Bids will not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 3,389,600 Equity Shares at the Issue Price, allocation will be made on a proportionate basis.

4. Any unsubscribed portion in any reserved category will be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription will be permitted from the reserved category to the Net Issue to the public. Under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs and the Designated Stock Exchange.

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

6. Our Promoter will not participate in this Issue.

7. Neither our Promoter nor our Directors and their immediate relatives have purchased or sold any Equity Shares during the period of six months immediately preceding the date of filing of this Prospectus with the RoC.

8. Except Mr. J. Sridharan, Mr. V.M. Kaul, Mr. R.N. Nayak, Mr. I.S. Jha, Dr. P.K. Shetty, Dr. A.S. Narag and Mr. F.A. Vandrevala, none of our Directors hold Equity Shares of our Company. For more information, see "***Our Management***" on page 164.

9. As on the September 30, 2010, the total number of holders of our Equity Shares is 792,096.

10. Except as disclosed under "***Capital Structure – Notes to capital Structure – Note 1(b) – Equity Shares issued for consideration other than cash***" above, our Company has not issued any Equity Shares for consideration other than cash.

11. Our Company has not issued any Equity Shares out of its revaluation reserves.

12. 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.

13. India Infoline Limited is acting as an underwriter in consortium with one of our BRLMs, SBI Capital Markets Limited, in this Issue. The BRLMs and their associates have no Equity Shareholding in our Company, except as set forth below:

S. No.	Name of Entity	Number of Equity Shares
1.	Goldman Sachs Investments (Mauritius) I Limited (as of October 13, 2010)*	842,462

S. No.	Name of Entity	Number of Equity Shares
2.	India Infoline Limited (as of October 19, 2010)**	268,000
3.	ICICI Securities Limited along with its associates (as of October 15, 2010)***	20,491,165

** Associate of Goldman Sachs (India) Securities Private Limited.*

*** As part of its proprietary shareholding. IIFL is acting as an underwriter in consortium with one of our BRLMs, SBI Capital Markets Limited, in this Issue.*

****Associates of ICICI Securities Limited being, ICICI Bank Limited, ICICI Prudential Asset Management Company Limited, ICICI Prudential Life Insurance Company Limited (including shares held by ICICI Prudential Index Fund).*

14. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares as on the date of this Red Herring Prospectus.

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

16. There has been no financing arrangement by which the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.

17. No Equity Shares held by our Promoter are subject to any pledge.

18. Our Company does not have any scheme of employee stock option or employee stock purchase.

19. Our Company has not issued any Equity Shares at a price lesser than the Issue Price in the last one year preceding the date of filing this Red Herring Prospectus.

20. The Equity Shares transferred/Allotted pursuant to the Issue will be fully paid-up at the time of Allotment, failing which no Allotment will be made.

21. Our Company will ensure that transactions in the Equity Shares by our Promoter between the date of filing of this Red Herring Prospectus and the Bid Closing Date will be intimated to the Stock Exchanges within 24 hours of such transaction.

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue by our 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 420,884,123 Equity Shares of ₹ 10 each by the Selling Shareholder. Our Company will not receive any of the proceeds from the Offer for Sale.

The Fresh Issue

The objects of the Fresh Issue are to:

(a) to meet the capital requirements for the implementation of certain identified transmission projects ("**Identified Projects**"); and

(b) general corporate purposes.

The main objects clause of our Memorandum of Association enables us to undertake our existing activities and 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.

(In ₹ million)

S. No.	Particulars	Amount*
1.	Gross Proceeds of the Issue	[●]
2.	Issue related Expenses	[●]
3.	Offer for Sale portion	[●]
4.	Net Proceeds of the Issue	[●]
	Total	[●]

**To be finalised on determination of Issue Price.*

Requirement of Funds and Means of Finance

The fund requirements described below are based on management estimates, our Company's current business plan and appraisals of the Identified Projects by the management of our Company as well as certain banks or financial institution.

In view of the dynamic nature of the sector and specifically that of our business, we may have to revise our expenditure and fund requirements as a result of variations in cost estimates, exchange rate fluctuations and external factors 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 objects of the Issue mentioned above.

We intend to utilize the net proceeds of the Issue, excluding the proceeds of the Offer for Sale and the Issue related expenses, ("**Net Proceeds**") of ₹ [●] for financing the objects as set forth below.

(In ₹ million)

	Total Estimated Cost	Amount deployed as of September 30, 2010 (1)		Amount proposed to be financed from Net Proceeds	Balance amount proposed to be financed from loans and identifiable internal accruals
		Equity	Debt		
Fund expenditure to meet the capital requirements for the implementation of the Identified Projects	226,493.9	26,470.8	71,311.7	38,000.0	90,711.4
Fund expenditure for general corporate purposes	[●]*	-	-	[●]*	-
Total	[●]*	26,470.8	71,311.7	[●]*	90,711.4

(1)As certified by Ajay Agarwal & Co, Chartered Accountants by certificate dated October 15, 2010
** To be finalised on determination of Issue Price*

Whilst we intend to utilize the Net Proceeds in the manner provided above, in the event of a surplus, we will use such surplus towards general corporate purposes including meeting future growth requirements. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. In the event of any shortfall in the Net Proceeds, our Company will bridge the fund requirements from identifiable internal accruals, debt or equity financing.

Details of the Objects

1. Fund expenditure to meet the capital requirements for the implementation of the Identified Projects

We are developing 13 identified transmission projects. The Identified Projects include projects for strengthening of our existing transmission lines or grids and projects for establishing new transmission lines connecting new generating plants. The transmission projects are expected to enhance the length of our transmission system by 18,711 circuit kilometers.

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

S. No.	Name of project	Nature of the project	Circuit kms	MVA (unless otherwise indicated)	Expected year of commissioning#	Approved Cost as per Investment Approvals (In ₹ million)	Latest estimated project costs as on September 30, 2010 (In ₹ million)
1.	Western Region Strengthening Scheme – II	Grid Strengthening	6,959	1,260	March 2011	35,814.0	35,689.9
2.	Strengthening of East-West Transmission	Inter-regional Grid Strengthening	1,150	-	December 2010	8,037.0	7,409.4

S. No.	Name of project	Nature of the project	Circuit kms	MVA (unless otherwise indicated)	Expected year of commissioning#	Approved Cost as per Investment Approvals (In ₹ million)	Latest estimated project costs as on September 30, 2010 (In ₹ million)
	Corridor						
3.	Transmission System associated with Mundra Ultra Mega Power Project	Generation linked (Thermal)	3,604	6,390	October 2012	48,241.2	46,820.0
4.	Western Region Strengthening Scheme - IX	Grid strengthening	45	630	March 2011	2,308.9	1,410.0
5.	Transmission System associated with Sasan Ultra Mega Power Project	Generation linked (Thermal)	2,197	10,000	December 2012	70,318.8	58,850.0
6.	Southern Region Strengthening Scheme – X	Grid strengthening	60	1,000	April 2012	2,766.1	2,240.0
7.	Western Region Strengthening Scheme – X	Grid strengthening	14	3,000	February 2012	6,670.2	7,130.0
8.	Northern Region Strengthening Scheme – XIII	Grid strengthening	38	1,000	November 2011	3,176.9	3,240.0
9.	Transmission System for Barh Generation Project**	Generation linked (Thermal)	2,465	2,500	March 2011	37,794.6	41,128.9
10.	System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects	Grid strengthening	1,212	1,260	August 2012	12,168.3	10,850.0
11.	Transmission System associated with Korba – III Generation Project (500 MW)	Generation linked (Thermal)	424	-	March 2011	2,766.1	2,763.1
12.	Transmission	Generation	543	630	June 2011	5,572.4	6,162.6

S. No.	Name of project	Nature of the project	Circuit kms	MVA (unless otherwise indicated)	Expected year of commissioning#	Approved Cost as per Investment Approvals (In ₹ million)	Latest estimated project costs as on September 30, 2010 (In ₹ million)
	System for Parbati – III Hydro Electric Project	linked (Hydro Electric					
13.	Transmission system for Mouda Generation Project (2 x 500 MW)	Generation linked (Thermal)	370	-	October 2012	4693.8	2,800.0
Total			**18,711**	**27,670**		**240,300.8***	**226,493.9***

** The total approved cost of the Identified Projects is ₹ 240,300.8 million. However, project costs are subject to on-going variation primarily on account of escalation clause for change in the prices of raw materials in the contracts entered into with the contractors, increase/decrease in the actual interest rate from the budgeted interest rate, additional interest costs incurred due to delay in projects and changes in statutory duties and taxes. The above latest estimated project cost for each project is as on September 30, 2010, based on our management estimates. In the event we exceed the approved cost beyond prescribed limits in implementing a certain project, such variation would need to be approved by our Board.*

*** This project was included as one of the identified objects in the Company's IPO. However, due to delays in commissioning of the generation project, the project has been delayed, resulting in an increase in the project cost. To fund this increased project cost, our Company proposes to deploy a portion of the Net Proceeds, as described above.*

*# For details relating to delays experienced and anticipated with respect to our Identified Projects, see "**Risk Factor - Certain transmission projects for which we intend to utilize proceeds from the net issue have been delayed.**"*

We have received certain government approvals required for undertaking these projects. For further details of the approval obtained for these projects and pending approvals, see "***Government and Other Approvals***" and "***Risk Factors***" on pages 328 and xiv, respectively.

Details of Means of Finance for the Identified Projects

The aggregate of the latest estimated project cost of the Identified Projects as on September 30, 2010 is ₹ 226,493.9 million. These projects are proposed to be funded with a debt-equity ratio of 70:30 in accordance with CERC norms. The equity component of the Identified Projects is to be funded by a combination of identifiable internal accruals of our Company and the proceeds of the Fresh Issue.

Details of the means of finance for the Identified Projects are as follows:

(In ₹million)

	Particulars		Amount
I.	*Aggregate of the latest estimated project cost of the Identified Projects as on September 30, 2010*		226,493.9
	a)	Expenditure already incurred as on September 30, 2010	97,782.5*
	b)	Amount proposed to be financed from the Net Proceeds	38,000.0
	c)	Amount proposed to be financed from our existing identifiable internal accruals as on September 30, 2010	14,750.0**
	d)	Funding required excluding the Net Proceeds and our existing identifiable internal accruals as on September	75,961.4

	Particulars	Amount
	30, 2010	
II.	*Arrangements regarding 75% of the funds required excluding the Net Proceeds and our existing identifiable internal accruals (i.e. as per I(d) above)*	56,971.0
	a) Undrawn foreign debt currency facilities***	31,580.0
	b) Proceeds from bonds issuances****	34,875.0
	Total	**66,455.0**

** As certified by Ajay Agarwal & Co, Chartered Accountants by certificate dated October 15, 2010.*

*** For the six month period ended September 30, 2010, our Company earned a profit after tax of ₹ 13,545.8 million while the operating cash flow was ₹ 33,780.7 million. As at September 30, 2010, our Company has available cash and bank balance of ₹ 1,646.1 million.*

**** To be drawn from four loan facilities sanctioned by the World Bank: (i) amount of US$ 600 million as per loan agreement dated March 28, 2008 towards the transmission system for Barh Generation Project, (ii) amount of US$ 400 million as per loan agreement dated May 2, 2006 towards the transmission system for Barh Generation Project and the Western Region Strengthening Scheme-II, (iii) amount of US$ 400 million as per loan agreement dated January 27, 2009 towards the transmission system for Barh Generation Project, the Western Region Strengthening Scheme-II and strengthening of the East-West Transmission Corridor, and (iv) amount of US$ 1,000 million as per loan agreement dated October 13, 2009 towards the transmission system associated with Mundra Ultra Mega Power Project, the transmission system associated with Sasan Ultra Mega Power Project Sasan and system strengthening of the Northern Region for Sasan and Mundra Ultra Mega Power Projects. For details, see "**Financial Indebtedness**" on page 282.*

***** Our Company has completed the issuance of 8.84% (taxable) non-cumulative, non convertible secured redeemable bonds in the aggregate principal amount of ₹ 34,875.0 million on a private placement basis on October 21, 2010, as certified by Ajay Agarwal & Co, Chartered Accountants by certificate dated October 21, 2010. For details, see "**Financial Indebtedness**" on page 282.*

Except as disclosed above, the entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. The balance amount will be funded through a combination of debt and internal accruals. In view of above, we confirm that, with respect to each of the Identified Projects, our Company has made firm arrangement of finance through verifiable means towards 75% of the stated means of finance, excluding the amount proposed to be raised through the Issue and our existing identifiable internal accruals, and ensuring that the our projects are funded in the debt equity ratio of 70:30.

Schedule of Expenditure

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

(In ₹ million)

S. No	Name of project	Latest estimated project costs as on September 30, 2010	Expenditure incurred as on September 30, 2010*	Estimated expenditure for Fiscal 2011	Estimated expenditure for Fiscal 2012	Estimated expenditure for Fiscal 2013	Estimated expenditure for Fiscal 2014	Estimated expenditure for Fiscal 2015
1.	Western Region Strengthening Scheme – II	35,689.9	26,464.9	5,186.6	1,765.6	4,000.0	1,419.7	0.0
2.	Strengthening of East-West	7,409.4	6,206.5	739.4	650.0	70.3	0.0	0.0

S. No	Name of project	Latest estimated project costs as on September 30, 2010	Expenditure incurred as on September 30, 2010*	Estimated expenditure for Fiscal 2011	Estimated expenditure for Fiscal 2012	Estimated expenditure for Fiscal 2013	Estimated expenditure for Fiscal 2014	Estimated expenditure for Fiscal 2015
	Transmission Corridor							
3.	Transmission System associated with Mundra Ultra Mega Power Project	46,820.0	9,207.8	11,670.4	9,441.9	12,000.0	6,190.0	2,000.0
4.	Western Region Strengthening Scheme - IX	1,410.0	521.6	524.7	460.0	132.8	0.0	0.0
5.	Transmission System associated with Sasan Ultra Mega Power Project	58,850.0	13,283.1	10,540.4	15,123.8	18,000.0	6,539.9	0.0
6.	Southern Region Strengthening Scheme – X	2,240.0	316.6	242.4	883.1	815.3	0.0	0.0
7.	Western Region Strengthening Scheme – X	7,130.0	688.1	1,994.9	814.9	3,000.0	725.3	0.0
8.	Northern Region Strengthening Scheme – XIII	3,240.00	173.00	865.4	950.0	950.0	320.6	0.0
9.	Transmission System for Barh Generation Project	41,128.9	34,121.2	1,947.9	2,593.3	3,003.8	0.0	0.0
10.	System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects	10,850.0	1,100.7	2,514.3	3,886.5	2,750.0	999.3	0.0

S. No	Name of project	Latest estimated project costs as on September 30, 2010	Expenditure incurred as on September 30, 2010*	Estimated expenditure for Fiscal 2011	Estimated expenditure for Fiscal 2012	Estimated expenditure for Fiscal 2013	Estimated expenditure for Fiscal 2014	Estimated expenditure for Fiscal 2015
11.	Transmission System associated with Korba – III Generation Project (500 MW)	2,763.1	1,581.2	542.0	208.7	945.9	0.0	0.0
12.	Transmission System for Parbati – III Hydro Electric Project	6,162.6	4,018.8	1,765.7	604.7	337.8	0.0	0.0
13.	Transmission system for Mouda Generation Project (2 x 500 MW)	2,800.0	98.9	914.4	968.7	820.0	0.0	0.0
	Total	**226,493.9**	**97,782.5**	**39,448.5**	**38,351.2**	**46,825.8**	**16,194.7**	**2,000.0**

* *As certified by Ajay Agarwal & Co, Chartered Accountants by certificate dated October 15, 2010*

The total amount spent as on September 30, 2010, aggregating to ₹ 97,782.5 million has been funded through debt, equity infusion by GoI and internal accruals, except in the case of transmission system for Barh Generation Project, where in addition to funding through debt, equity infusion by GoI and internal accruals, certain proceeds from the initial public offering of our Company in Fiscal 2008 were utilised for part-financing the project. The debt component aggregates to ₹ 71,311.7 million comprising utilization of facilities to the extent of ₹ 38,815.7 million from World Bank and ₹ 32,496.0 million through issuance of domestic secured bonds. The remaining amount of ₹ 26,470.8 million has been funded through equity infusion of ₹ 400.0 million from the GoI and ₹ 17,968.4 million from our internal accruals. Additionally, with respect to the transmission system for Barh Generation Project, ₹ 8,102.4 million was funded from the proceeds of our initial public offering in Fiscal 2008.

Contracts for the implementation of the Identified Projects

Transmission projects are generally implemented by breaking down the project into "packages" depending on the size and the nature of the project. The major packages involved in the implementation of our projects include supply and erection contracts for construction of transmission lines and substations. In respect of the Identified Projects for which the Net Proceeds are intended to be used, as of the date of this Red Herring Prospectus, we have already awarded major contracts amounting to approximately ₹ 68,473.3 million. Some of the contracts for the projects which are yet to be awarded, will be awarded by us at an appropriate time during the course of the implementation of the projects.

All project implementation contracts usually contain, amongst others, price variation clauses subject to a specified limit, completion time guarantee clauses, defect liability clauses and indemnity clauses.

The contract costs mentioned below can escalate due to any of the reasons mentioned above or due to other circumstances. Any increase in the price of contracts, due to price variation provisions or due to change in design or force majeure situations or due to certain other circumstances is borne by our Company.

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

(In ₹ million)

Name of Project/Scheme	Major Contractors	Value of Major Contracts Awarded
Western Region Strengthening Scheme – II	Consortium of Apar Industries Limited, Deepak Cables (India) Limited and Gupta Power Infrastructure Limited; Sterlite Technologies Limited; Consortium of Apar Industries Limited and Gupta Power Infrastructure Limited; KEC International Limited; Larsen & Toubro Limited; IVRCL Infrastructure and Projects Limited	7,395.0
Strengthening of East-West Transmission Corridor	Sterlite Technologies Limited; Consortium of Tata Projects Limited and Aster Teleservices Private Limited; Consortium of Gupta Power Infrastructure Limited and Apar Industries Limited; Consortium of Best & Crompton Engineering Projects Limited and ICOMM Tele Limited; Areva T&D India Limited	4,469.8
Transmission System associated with Mundra Ultra Mega Power Project	Consortium of SPIC-SMO and BS Transcomm Limited; Consortium of SPIC-SMO and Aster Teleservices Private Limited; Tata Projects Limited; KEC International Limited; ABB Limited	9,037.9
Western Region Strengthening Scheme - IX	Bharat Heavy Electricals Limited; ECI Engineering and Construction Company Limited; C&C Constructions Limited	1,549.4
Transmission System associated with Sasan Ultra Mega Power Project	ICOMM Tele Limited; Kalpataru Power Transmission Limited; KEC International Limited; Consortium of Larsen & Toubro Limited and Areva T&D India Limited; Tata Projects Limited	8,624.8
Southern Region Strengthening Scheme – X	Hyosung Corporation; Bharat Heavy Electricals Limited	1,022.4
Western Region Strengthening Scheme – X	Consortium of Hyosung Corporation and Larsen & Toubro Limited; ABB Limited; TBEA Shenyeng Transformer Group Company Limited	3,411.8
Northern Region Strengthening Scheme – XIII	IVRCL Infrastructure and Projects Limited;	1,602.0

Name of Project/Scheme	Major Contractors	Value of Major Contracts Awarded
	Siemens AG; Consortium of Apar Industries Limited and Gupta Power Infrastructure Limited; GET Power Private Limited	
Transmission System for Barh Generation Project	Consortium of Siemens AG and Bharat Heavy Electricals Limited; Jyoti Structures Limited; KEC International Limited; Consortium of Kalpataru Power Transmission Limited and KEC International Limited; Tata Projects Limited	17,893.0
System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects	Consortium of Electrical Manufacturing Company Limited and ICOMM Tele Limited; Consortium of SPIC-SMO and Sujana Towers Limited; Crompton Greaves Limited; Sterlite Technologies Limited	5,977.8
Transmission System associated with Korba – III Generation Project (500 MW)	Consortium of Smita Conductors Limited and Hindustan Vidyut Products Limited; Kalpataru Power Transmission Limited; Bharat Heavy Electricals Limited	2,316.5
Transmission System for Parbati – III Hydro Electric Project	Tata Projects Limited; Larsen &Toubro Limited; Bharat Heavy Electricals Limited; Consortium of Deepak Cables (India) Limited and Sterlite Technologies Limited	3,169.7
Transmission system for Mouda Generation Project (2 x 500 MW)	Bajaj Electricals Limited; Hind Aluminium Industries Limited; Modern Insulators Limited	2,003.4

Details of Plant, Machinery, Technology and Process

The Identified Projects are at varying stages of implementation, hence we have not yet awarded certain packages for the Identified Projects. We are in the process of finalizing the packages, post which we will award these contracts through a competitive bidding process. Further, the Identified Projects and our capacity expansion plans in general are also subject to a number of contingencies and uncertainties, many of which are beyond our control. As on September 30, 2010, our Company has placed orders for the procurement of 100% of the requisite plant, machinery and equipment for all the Identified Projects except with respect to the transmission system associated with Mundra Ultra Mega Power Project, wherein procurement orders of approximately 66% of the plant, equipment and machinery have been placed. We do not propose to use the Net Proceeds for purchase of second hand plant and machinery. Also, see "***Risk Factors***" on page xiv.

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

A	Sub-station Equipments	
1.	Transformers	765/400 KV (500/333 MVA single phase unit), 400/220 KV (315 MVA three phase unit)

A	**Sub-station Equipments**	
2.	Reactors	Line reactor 765 KV, (80/110 MVAR single phase unit), 400 KV Line and Bus Reactor (50 MVAR, 63 MVAR and 80MVAR and 125 MVAR three phase units)
3.	Circuit Breaker	765 KV with 40/50 KA short circuit capacity, 420 KV with 40/50/63 KA Short circuit capacity
4.	Conductors	Moose, Zebra, Bull, Bersemis, etc
5.	Tower materials	Galvanized tower materials of different sizes
6.	Insulators	Polymer, glass and porcelain insulators of different rating
7.	Series Capacitors	400 KV
8.	Hardware Fittings	Hardware fittings for sub-station equipments
9.	PLCC and communication equipments, including wave traps	Communication equipments for protection and data
10.	Control and Instrumentation	Control room, control panel, protection panels, cables etc
11.	Civil and Structural Works	All civil and structural works of sub-station, building and control room including foundations, cable trenches, etc
12.	Other Plant and Equipments	Air conditioning and ventilation, fire fighting equipments, LT switch gear, LT transformer, etc
13.	Instrument Transformers	765 KV and 40/50 KA, 400 KV and 40/50/63 KA
14.	Surge Arrestors	624 KV and 336 KV
15.	Isolators	765 KV and 40/50 KA, 400 KV and 40/50/63 KA
16.	Gas Insulated Substation	400/220 KV
B	**Transmission line Equipments**	
1.	Conductors	ACSR/AAAC/AACSR, etc (Panther, Moose, Zebra, Lapwing)
2.	Insulators	Polymer, glass and porcelain insulators of different rating
3.	Tower Materials	Galvanized steel sections of different sizes
4.	Hardware Fittings	Hardware fittings and accessories for conductor, insulator, etc
5.	Civil and Structural Works	All civil and structural works of transmission lines, including foundations, tower erection, stringing, etc
C	**Load Despatch and Communication**	
1.	SCADA system	
2.	Communication terminal Equipments	Communication terminal equipments
3.	Control and Instrumentation	Control room, control panel, etc

2. *Fund expenditure for general corporate purposes*

We intend to use a part of the Net Proceeds, approximately ₹ [●] million, towards general corporate purposes including funding cost overruns of our projects (if any), strategic initiatives, acquisitions, joint ventures, funding new projects and meeting exigencies which we may face in the ordinary course. Our management, in accordance with the policies of the Board, will have the flexibility in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds.

Schedule of Implementation and Deployment of Funds

Detailed below is the estimated schedule of deployment of the Net Proceeds in the current fiscal and the next four fiscals:

(In ₹million)

S. No.	Object	Estimated Schedule of Deployment				Total
		Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	
1.	Fund expenditure to meet the capital requirements for the	9,906.8	12,064.1	14,049.0	1,980.1	38,000

S. No.	Object	Estimated Schedule of Deployment				Total
		Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	
	implementation of the Identified Projects					
2.	Fund expenditure for general corporate purposes*	[●]	[●]	[●]	[●]	[●]
	Total*	**[●]**	**[●]**	**[●]**	**[●]**	**[●]**

** To be finalised at the time of filing the Prospectus*

Issue Related Expenses

The estimated Issue expenses are as under:

S. No.	Activity Expense	Amount (In ₹ million)	Percentage of Total Estimated Issue Expenditure	Percentage of Issue Size
1.	Fees, underwriting commission, brokerage and selling commission paid to the Book Running Lead Managers*	[●]	[●]	[●]
2.	Fees payable to the SCSBs*	[●]	[●]	[●]
3.	Fees of the Registrar to the Issue*	[●]	[●]	[●]
4.	Fees of Advisors to the Issue*	[●]	[●]	[●]
5.	Fees to the Bankers to the Issue*	[●]	[●]	[●]
6.	Other expenses (Auditors' fees, listing fees, advertisement and marketing expenses, roadshow expenses, etc.)*	[●]	[●]	[●]
	Total	**[●]**	**[●]**	**[●]**

**Will be incorporated after finalisation of the Issue Price.*

Other than listing fees in respect of the Equity Shares offered in the Fresh Issue, which will be borne by our Company, the above-mentioned Issue expenses will be borne by our Company and the Selling Shareholder, in proportion to the number of Equity Shares offered and sold by them in this Issue under the Fresh Issue and the Offer for Sale, respectively.

Working Capital Requirement

The Net Proceeds will not be used to meet our working capital requirements as we expect to have internal accruals, avail debt and/or draw down from our existing or new lines of credit to meet our working capital requirements.

Interim Use of Funds

The management of our Company, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including investments in mutual funds, deposits with banks and other investment grade interest bearing securities. Such investments would be in accordance with investment policies approved by our Board from time to time. We confirm that pending utilization of the Net Proceeds, we will not use the funds for any investments in the equity markets.

Project Appraisals

Out of the 13 Identified Projects, six projects are being partially funded by the World Bank. Prior to sanctioning funds for our projects, the World Bank typically undertakes an appraisal exercise of the sector and a basket of projects of our Company, which includes the six Identified Projects. Additionally, some of our Identified Projects have also been appraised by independent appraising entities.

The details of the appraisal for the Identified Projects are as follows:

Three of our Identified Projects, i.e., the Transmission System for Barh Generation Project, the Western Region Strengthening Scheme – II and the Strengthening of East-West Transmission Corridor, have been appraised on a collective basis by the World Bank, as set out in the Project Appraisal Document dated December 15, 2005, the Project Appraisal Document dated February 8, 2008 and the Project Paper dated September 9, 2008, prepared for the use of the lender on the basis of information and documents provided by our Company.

The key assumptions on which the Project Appraisal Document dated December 15, 2005 was based are as under:

- Operating revenues taken from audited accounts till 2004-05, and for subsequent years calculated based on commissioning schedule of schemes.
- System availability of 98.5% is assumed for calculating incentive.
- Return on equity taken as 14%, in accordance with the then prevailing tariff regulations.
- Other income includes consultancy income, reimbursement of RLDC expenditure, lease income from state sector Unified Load Despatch Centre ("**ULDC**") assets and interest income from SEB bonds.
- Income from transmission joint venture is calculated based on a 10% dividend on equity investment, with the Company holding 49% in Tala joint venture, and 26% in all subsequent joint ventures.
- An increase of 20% in employees remuneration during the year 2007-08 is considered on account of the usual five-yearly wage revision.
- Transmission and administrative expenses are projected to escalate at the same rate as the transmission charges (excluding advance against depreciation).
- A dividend of 30% on profit after tax is considered from 2005-06 onwards.
- Income tax is considered at 7.5%, with a surcharge of 2.5% and cess of 2%.
- For future schemes, where loans are not contracted, the financing norms adopted are debt-equity ratio of 70:30, with loans from different sources in the ratio of multilateral agencies (20%), external commercial borrowings (10%) and domestic loans (70%).
- Redemption of bonds under the securitization scheme is considered at 10% per year from 2006-07 onwards.
- Revenue realization is considered at 95% of billing, with the balance assumed to be realized after two years.

The key assumptions on which the Project Appraisal Document dated February 8, 2008 was based are as under:

- Operating revenues taken from audited accounts till 2006-07, and for subsequent years calculated based on commissioning schedule of schemes.
- System availability of 98.5% is assumed for calculating incentive.
- Return on equity taken as 14%, in accordance with the then prevailing tariff regulations.
- Other income includes consultancy income, income from short term open access, lease income from state sector ULDC assets and interest income from SEB bonds.

- Income from transmission joint venture is calculated based on a 10% dividend on equity investment, with the Company holding 49% in Tala joint venture, and 26% in all subsequent joint ventures.
- An increase of 20% in employees remuneration during the year 2007-08 is considered on account of the usual five-yearly wage revision.
- Transmission expenses are projected to escalate at the same rate as the transmission charges (excluding advance against depreciation).
- A dividend of 30% on profit after tax is considered from 2007-08 onwards.
- Income tax is considered at 10%, with a surcharge of 10% and cess of 2%.
- For future schemes, where loans are not contracted, the financing norms adopted are debt-equity ratio of 70:30, with loans from different sources in the ratio of multilateral agencies (20%), external commercial borrowings (10%) and domestic loans (70%).
- Redemption of bonds under the securitization scheme is considered at 10% per year from 2006-07 onwards.
- Based on the realization performance of previous years, 100% revenue realization has been assumed.

Three of our Identified Projects, i.e., the Transmission System associated with Mundra Ultra Mega Power Project, the Transmission System associated with Sasan Ultra Mega Power Project and the System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects, have been appraised on a collective basis by the World Bank, as set out in the Project Appraisal Document dated August 25, 2009, prepared for the use of the lender on the basis of information and documents provided by our Company.

The key assumptions on which the Project Appraisal Document dated August 25, 2009 was based are as under:

- Operating revenues taken from audited accounts till 2007-08, and for subsequent years calculated based on commissioning schedule of schemes.
- Return on equity taken as 15.5%, in accordance with the then prevailing tariff regulations.
- Other income includes consultancy income, income from short term open access, lease income from state sector ULDC assets and interest income from SEB bonds.
- Income from transmission joint venture is calculated based on a 10% dividend on equity investment, with the Company holding 49% in Tala joint venture, and 26% in all subsequent joint ventures.
- An increase of 13% in employees remuneration during the year 2008-09 is considered on account of the usual ten-yearly wage revision.
- Transmission expenses are projected to escalate at the same rate as the transmission charges.
- A dividend of 30% on profit after tax is considered from 2008-09 onwards.
- Income tax is considered at 10%, with a surcharge of 10% and cess of 3%.
- For future schemes, where loans are not contracted, the financing norms adopted are debt-equity ratio of 70:30, with loans from different sources in the ratio of multilateral agencies and external commercial borrowings (20%) and domestic loans (80%).
- Based on the realization performance of previous years, 100% revenue realization has been assumed.

The Western Region Strengthening Scheme – II has also been appraised by IFCI Limited, as set out in the project appraisal report dated October 2009, prepared on the basis of information and documents provided by our Company.

The key assumptions on which the project appraisal report dated October 2009 was based are as under:

- The long term loan has been assumed to be financed at the interest rate of 10.5% per annum. The commercial loan has been assumed to be repaid in equal quarterly installments in the period of 10 years from the second year of the operations period (wherein a moratorium period of two months is availed as the commencement of operations takes place from the last quarter of the first year of operation period) and onwards for principal repayment.
- For the purpose of tariff, the maximum depreciable portion of 90% has been considered for the asset block. The depreciation is calculated annually based on straight line method over the useful life of the asset. The rates considered for the project have been charged as transmission line (2.7%), sub-station (3.6%), building (1.8%) and PLCC (6.0%).
- Since transmission licensee is entitled to advance against depreciation, it has been computed provided the cumulative repayment of any year exceeds the cumulative depreciation up to that respective year and future that advance against depreciation is restricted only to the extent of difference between cumulative repayment and cumulative depreciation up to that year. Hence, the advance against depreciation that is availed is set off after the loan repayment period.
- For the proposed project, return on equity is computed on equity base at 14.0% per annum.
- Operation and maintenance expenses has been computed according to the CERC norms for the year 2008-2009 and amount to 0.26 for the operation and maintenance expenses and 32.9 operations and maintenance. These costs are escalated by 4.0% for three years as the operation period is assumed to start from the year 2011-2012. Subsequently, the operation and maintenance expenses are escalated by 4.0% every year during the operation period.
- As per CERC guidelines, the working capital requirements that is included and considered for the project is two months of transmission charges for the receivables, one month for the operation and maintenance expenses and at the rate of 1.0% of the base cost estimate for the first year of commercial operations and subsequently escalated at the rate of 6.0% per annum during the project life. The interest on working capital is assumed at 11.0% per annum.
- As per CERC guidelines, tax is a pass-through component for the transmission licensee. Yet, to calculate the annual transmission charges the tax liability has been calculated on WDV method being 10.0% for plant and machinery and 15.0% for civil.
- For calculating the base cost of the project, the estimates have been taken as on third quarter 2008 price level. For the purpose of working out unit rates for 765/400 KV transmission line and substation works, the average rate of last three contracts awarded by the Company updated to third quarter 2008 price level has been considered.
- The completion cost of the project has been worked out based on the GoI guidelines dated August 6, 1997, which stipulated that the labour component of the project cost may be updated using the average (12 months) increase of Consumer Price Index for industrial workers and for all other components of cost, except labour, the average (12 months) increase of Wholesale Price Index for all commodities is used.
- For the first 10 years of operation, minimum alternate tax at the rate of 11.33% and subsequently corporate tax at the rate of 33.99% have been considered as per the provisions of Income Tax Act, 1961, which has been treated as a pass-through component for techno-economic purpose.
- Contingencies have been considered at 3% and maintenance during construction, engineering and administration and losses on stock have been considered at 5% of the works cost excluding cost of compensation towards forest for transmission lines.
- Centages and other contingencies have been considered at 8% of compensatory afforestation, which is ₹ 45,000 per hectare.
- Discount rate for levelised tariff as per CERC guidelines has been considered at 10.49%.

The System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects has also been appraised by CRISIL Risk and Infrastructure Solutions Limited, as set out in the project appraisal report dated January 28, 2009, prepared on the basis of information and documents provided by our Company.

The key assumptions on which the project appraisal report dated January 28, 2009 was based are as under:

- The interest during construction has been calculated separately and added to the hard cost of the project. The completion cost of the project has been calculated based GoI guideline dated August 6, 1997 which states that the labour component of the project cost may be updated using the average 12 months increase in Consumer Price Index for industrial workers and for all other components of cost except labour, the average 12 months increase of Wholesale Price Index for all commodities is to be used. The labour component has been assumed as 20% of the total project cost and all other components of cost have been assumed as the balance 80%.
- Preliminary expenses incurred during Fiscal 2009 has been considered.
- The tariff for power to be transmitted using the proposed system strengthening project in Northern Region has been calculated based on the CERC guidelines for tariff setting. The tariff for supply of electricity comprise capacity charges. The capacity charges consist of following components: (a) return on equity; (b) interest on loan capital; (c) depreciation; (d) interest on working capital; and (e) operation and maintenance expenses. The post-tax return has been assumed at 15.5%. The pre-tax return on equity has been grossed up at tax rate applicable to the Company. The operations and maintenance cost for Fiscal 2013 and Fiscal 2014 has been taken as per CERC guidelines. The operations and maintenance cost from Fiscal 2015 onwards have been taken at the same rate as Fiscal 2014. The interest on term loan has been calculated on the normative basis for calculation of tariff. The repayment of loan for calculation of interest on normative basis for a year is deemed to be equal to the depreciation allowed for that year. The depreciation has been calculated annually based on straight line method at rates specified in CERC guidelines for first 12 years of the project. The remaining depreciable value after a period of 12 years from date of commercial operation has been spread over the balance life of the assets as stipulated in the CERC guidelines.
- The transmission project is assumed to be funded through a debt-equity mix in the ratio of 70:30. The debt will be funded through loan from World Bank. The moratorium period on the World Bank loan is for a period of five years. During the moratorium period, only the interest payments will be made to the lenders and there will be no repayment of principal. For repayment of debt, a period of 25 years has been assumed. The interest rate assumed for the World Bank loan is 7% per annum. Based on the inputs provided by the Company, 7% interest rate for the World Bank loan has been assumed on a notional basis. The notional interest rate includes guarantees and charges by the GoI and other charges incurred by Company for taking the loan. The World Bank loan has been negotiated by the Company in the month of August 2009 and the loan agreement has been signed on October 13, 2009.
- The actual operation and maintenance cost for the transmission lines and sub-station base for the project for Fiscal 2013 and Fiscal 2014 have been taken as per CERC guidelines. The actual operation and maintenance cost for Fiscal 2015 onwards have been taken at the same rate as Fiscal 2014.
- The working capital requirement has been calculated based on CERC guidelines. The capital requirement consists of components: (a) receivables; (b) maintenance spares; and (c) operation and maintenance. It has been assumed that 70% of the working capital requirement will be funded through debt. The interest rate for working capital loan has been considered at 10.5% per annum.
- Since the Company is paying minimum alternate tax, the income tax rate for the project has been considered at the applicable MAT rate. The MAT rate of 16.9% has been considered for the project.
- The depreciation has been calculated separately on the basis of Income Tax, 1961 and CERC guidelines. For the purpose of calculation of taxes, the depreciation has been considered on the basis of Income Tax Act, 1961. For the calculation of tariff of the project, the depreciation has been calculated on the basis of CERC guidelines. Though the depreciation for book

profits should preferably be ascertained on the basis of the Companies Act, the depreciation for book profits has also been calculated on the basis of CERC guidelines in line with the existing practice of the Company on inputs provided by the Company.

- The project is also exposed to exchange rate fluctuations on account of (a) payment of interest on the World Bank loan, and (b) repayment of loan taken from the World Bank. The depreciation of domestic currency compared to foreign currency during the project term can lead to higher cash outflow for interest on the World Bank loan and repayment of principal of the World Bank loan. However, since recovery of cost on account for foreign exchange variation can be directly made by the Company from the beneficiaries as per CERC guidelines, no impact on project returns is envisaged on account of foreign exchange fluctuations.

The appraisal reports of the World Bank, IFCI Limited and CRISIL Risk and Infrastructure Solutions Limited mention certain risks applicable to our Company and the mitigating factors in relation to these risks. For certain risks and weakness disclosed in the appraisal reports, see "***Risk Factors***" on page xiv.

Prior to attaining '*Navratna*' status in May 2008, projects involving an investment in excess of ₹ 5 billion were approved by the GoI. Consequent to our attaining the 'Navratna' status, our Board has the right to issue investment approvals for all our transmission projects without any requirement to obtain GoI approval.

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

Monitoring Utilization of Funds

In terms of Regulation 16 of the SEBI Regulations, we have appointed IFCI Limited as the monitoring agency to monitor the utilization of the Net Proceeds. Our Company, in accordance with the Equity Listing Agreement, undertakes to place the reports of the Monitoring Agency on receipt before the Audit Committee without any delay. Our Company will disclose the utilization of the Net Proceeds, including interim use under a separate head in its balance sheet for such fiscal periods as required under the SEBI Regulations, the Equity Listing Agreements with the Stock Exchanges and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilized. Our Company will also, in its balance sheet for the applicable fiscal periods, provide details, if any, in relation to all such Net Proceeds that have not been utilized, if any, of such currently unutilized Net Proceeds.

In accordance with clause 43A of the Equity Listing Agreement, our Company will furnish to the Stock Exchanges, on a quarterly basis, a statement including any material deviations in the utilization of the Net Proceeds for the Objects of the Issue stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing them before the Audit Committee. In the event the Monitoring Agency points out any deviation in the use of the Net Proceeds from the Objects of the Issue stated above, or has expressed any other reservations on the end use of funds, our Company will intimate the same to the Stock Exchanges without delay. Further, on an annual basis, our Company will prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. The said disclosure will be made until the time the Net Proceeds have been fully spent. This statement will be certified by the statutory auditors of our Company.

There are no material existing or anticipated transactions in relation to the utilization of the Net Proceeds or estimated cost as above with the Promoter, the Directors, our Company's key management personnel, associate and Group Entities. No part of the Net Proceeds will be paid by us as consideration to our Promoter, our Directors or key managerial employees, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The face value of our Equity Shares is ₹ 10 and the Issue Price of ₹ [●] is [●] times the face value at the Floor Price and [●] times the face value at the Cap 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 from the Bidders for the offered Equity Shares by way of the Book Building Process, and on the basis of the following qualitative and quantitative factors. Bidders should also see "***Risk Factors***" and "***Financial Statements***" on pages xiv and 184, respectively. The financial data presented in this section are based on the Company's audited unconsolidated financial statements.

Qualitative Factors

- Leadership position in Indian power transmission sector;
- High operational efficiencies;
- Effective project implementation;
- Attractive tariffs, competitive landscape and business model;
- Diversified business portfolio;
- Strong financial position and cash flow from operations;
- Government support; and
- Skilled and experienced senior management team and competent and committed workforce.

For further details which form the basis for computing the price, see "***Our Business***" and "***Risk Factors***" on pages 82 and xiv, respectively.

Quantitative Factors

The information presentation below relating to the Company is based on audited unconsolidated financial statements for Fiscals 2009 and 2010 and unconsolidated limited reviewed financial statements for the six months ended September 30, 2010, prepared in accordance with Indian GAAP. For more information, see "***Financial Statements***" page 184.

1. EARNING PER SHARE ("EPS"):

As per our audited unconsolidated financial statements:

Fiscal	Basic & Diluted EPS (in ₹)	Weight
2009	4.02	1
2010	4.85	2
Weighted Average	4.57	

As per our unconsolidated limited reviewed financial statements for the six months ended September 30, 2010, the basic and diluted EPS was ₹ 3.22.

Notes:
a) Basic EPS has been computed by dividing profit/(loss) after tax and before extraordinary items, by the number of Equity Shares outstanding during the period/year.
b) Diluted EPS has been computed by dividing profit/(loss) after tax and before extraordinary items, by the number of diluted Equity Shares outstanding during the period/year.
c) 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 RATIO ("P/E RATIO"):

P/E Ratio in relation to Issue Price of ₹ [●] per Equity Share of face value of ₹ 10 each:

a) As per our audited unconsolidated financial statements for Fiscal 2010: [●]
b) As per our Weighted Average EPS: [●]
c) Industry P/E – There are no listed companies in India which are in the business of power transmission.

3. AVERAGE RETURN ON NET WORTH ("RoNW"):

RoNW as per audited unconsolidated financial statements

Fiscal	RoNW (%)	Weight
2009	11.57	1
2010	12.83	2
Weighted Average	12.41	

As per our unconsolidated limited reviewed financial statements for the six months ended September 30, 2010, the RoNW was 7.86%.

Note:
RoNW has been computed by dividing net profit/(loss) after tax by the net worth.

4. Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2010:

a. At the lower end of the Price Band: [●]%
b. At the higher end of the Price Band: [●]%
c. At the Issue Price: [●]%

5. NET ASSET VALUE ("NAV") PER EQUITY SHARE:

a. As of March 31, 2010 (unconsolidated) : ₹ 37.81
b. As of September 30, 2010 (unconsolidated) : ₹ 40.96
c. Issue Price : ₹ [●]*
d. As of September 30, 2010 (unconsolidated) after the Issue: ₹ [●]

** Since the Issue is being made through the Book Building Process, the Issue Price will be determined on the basis of market demand from the Bidders for the offered Equity Shares, on conclusion of the Book Building Process.*

Note:
NAV per Equity Share has been computed by dividing net worth after by number of Equity Shares outstanding at the end of the period.

Bidders should note that pursuant to letter dated July 27, 2010 from the Selling Shareholder, discount of ₹ [●] to the Issue Price is being offered to Retail Bidders and Eligible Employees, respectively.

6. COMPARISON WITH OTHER LISTED COMPANIES

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

The Issue Price of ₹ [●] has been determined by our Company and the Selling Shareholder, in consultation with the BRLMs, on the basis of assessment of market demand from the Bidders for the offered Equity Shares by way of the Book Building Process, and is justified based on the above quantitative and qualitative factors. Bidders should also see "***Risk Factors***" and "***Financial Statements***", including important profitability and return ratios, on pages xiv and 184, 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***" on page xiv, and you may lose all or part of your investments.

STATEMENT OF GENERAL TAX BENEFITS

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

Dear Sirs,

We hereby report that the enclosed annexure states "General Tax Benefits" available to Power Grid Corporation of India Limited (the "**Company**") and its shareholders under the current tax laws in force in India as amended by the Finance Act, 2010. The benefits as stated are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

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

For A.R. & Co.	**For S R I Associates**	**For Umamaheswara Rao & Co.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
Regn No.002744C	Regn No.305109E	Regn No. 004453S
(Pawan K. Goel)	**(I. Pasha)**	**(Venugopal Sanka)**
Partner	**Partner**	**Partner**
Membership No. 072209	Membership No. 013280	Membership No. 205565

Place: Mumbai.

Date: 20.10.2010.

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

A. **To the Company**

1. **Under the Income Tax Act, 1961**

- Energy saving devices being Electrical equipments such as Shunt capacitors, automatic power cut off devices, automatic voltage controller, power factor controller for AC, series compensation equipments, equipment to establish transmission highways for National Power Grid, etc are entitled for higher depreciation at the rate of 80% on W.D.V. as per Appendix I of Income Tax Rules under Section 32 of the Income Tax Act., 1961.
- In accordance with and subject to the condition specified in Section 80-IA of' the Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31.03.2011 subject to the limit prescribed under section 80IA(2).
- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the Company subject to provisions of Section 14A read with Rule 8D.
- While calculating dividend distribution tax as per provision 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 the 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), interest income earned from 8.5% SLR Power Bonds and long term loans are exempt from tax in the hands of the company, subject to provisions of Section 14A read with Rule 8D.
- The Corporate Tax rate of the company is grossed up on return on equity and billed to beneficiaries in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

2. **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 transmission of electrical energy.
- In terms of section 8(3)(b) of the Central Sales Tax Act, 1956, the purchases made in the course of inter-state trade or commerce for use in the generation or distribution or any other form of power is eligible for concessional rate of sales tax of 2%.

3. **Under Customs Tariff**

- In terms of notification No. 21/2002-Cus dated 1.3.2002 as amended by last Notification No. 80/2010-Cus. Dated 10.8.2010 under Customs Tariff of India, the goods as per List 44 required for setting up of any Transmission Project, are eligible to import at the rate of 5%

basic custom duty subject to fulfillment of certain conditions.

- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended by last Notification No. 80/2010-Cus. Dated 10.8.2010 under Customs Tariff of India, the Power Transmission Companies are eligible to import goods required for setting up of any power transmission projects at concessional rate of 5% basic custom duty under Project Imports.
- In terms of notification No. 84/1997 dtd 11.11.1997 the goods imported under World Bank/ADB funded projects are eligible for nil customs duty.

4. Under EXIM Policy

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

B. To the Members of the Company

B1. Under the Income Tax Act, 1961

1. All Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the shareholders, subject to provisions of Section 14A read with Rule 8D.
- By virtue of Section 10(38) of' the Income Tax Act, 1961, income arising from transfer of a long-term capital asset, being an equity share in the Company is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force and such transaction is chargeable to the Securities Transaction Tax under that Chapter. However, the long-term capital gain of a share holder being a company shall be subject to income tax computed on book profit under section 115JB of' the Income Tax Act, 1961.
- By virtue of Section 111A inserted by Finance (No.2) Act, 2004, short term capital gain on transfer of equity share of the Company shall be chargeable to tax @ 15%, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to Securities Transaction Tax under that Chapter.
- By virtue of Section 88E of the Income Tax Act, 1961 and subject to certain conditions, rebate of tax paid on securities transaction is allowable as deduction from the amount of income tax.

2. Resident Members

- In terms of section 10(23D) of the Income Tax Acy, 1961, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India or authorized by Reserve Bank of India 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, subject to provisions of section 14A and rules framed there under, wherever applicable.
- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands

of the shareholders, subject to provisions of Section 14A read with Rule 8D.

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

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

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

- Under Section 54F of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

  If any part of the capital gain is reinvested, the exemption will be reduced proportionately. The amount so exempted shall be chargeable to tax subsequently, if residential property is transferred within a period of three years from the date of purchase/construction. 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 purchased or constructed.

- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (in cases 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 or at 10% (plus applicable surcharge and education cess) (without indexation), at the option of the Shareholders.

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

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the recipients subject to provisions of Section 14A read with Rule 8D.

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 XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Incomes of Non-Residents".
- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for period exceeding 12 months shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of

10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuation.

- As per section 90(2) of the Act, the provision of the Act would prevail over the provision 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 Income Tax Act, 1961, long term capital gains (in cases 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 Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible has been deducted at source there from.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him instead the other provisions of the Act shall apply.
- Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

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

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

  If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
- Under Section 54F of the Income Tax Act. 1961 and subject to the condition and to the extent

specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from Capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

If any part of the capital gain is reinvested the exemption will be reduced proportionately. The amount so exempted shall be chargeable to tax subsequently, if residential property is transferred within a period of three years from the date of purchase/construction. 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 purchased or constructed.

- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and Education Cess) after indexation as provided in the second proviso to Section 48; indexation not available if investments made in foreign currency as per the first proviso to section 48 stated above) or at 10% (plus applicable surcharge and Education Cess) (without indexation), at the option of assessee.

4. Mutual Funds

In terms of Section 10(23D) of the Income Tax Act, 1961, mutual funds registered under the Securities and Exchange Board of India Act 1992 and such other mutual funds set up by public sector banks or public financial institutions authorized by the Reserve Bank of India and subject to the conditions specified therein, are eligible for exemption from income tax on their entire income, including income from investment in the shares of the Company.

5. Foreign Institutional Investors (FIIs)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the institutional investor.
- The income by way of short term or long term capital gains realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

  * Short term capital gains - 30% (plus applicable surcharge and Education Cess)
  * Short term capital gains covered U/s 111A- 15% (plus applicable surcharge and Education Cess)
  * Long term capital gains - 10% (without cost indexation) plus applicable surcharge and Education Cess and 20% (with indexation) plus applicable surcharge and Education Cess.

  (Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a

period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

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

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

- As per section 90(2) of the Act, the provision of the Act would prevail over the provision 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.

6. Venture Capital Companies *I* Funds

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

B2. Under the Wealth Tax Act, 1957

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

B3. Under the Gift Tax Act, 1957

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

Notes

All the above benefits are as per the current tax law as amended by the Finance Act, 2010 and will be available only to the sole/ first named holder in case the shares are held by joint holders

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

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

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

SECTION IV- ABOUT US

INDUSTRY OVERVIEW

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

OVERVIEW OF THE INDIAN ECONOMY

India, the world's largest democracy with an estimated population of 1.157 billion, had a GDP on a purchasing power parity basis of an estimated US$3.57 trillion in 2009, according to the CIA Factbook. This made the Indian economy the fifth largest in the world after the European Union, United States, China and Japan.

According to the CIA Factbook, India's economy was the second fastest growing major economy in the world after China in CY2009. According to the RBI's Macroeconomic and Monetary Developments First Quarter Review 2010-11 dated July 26, 2010, the Indian economy exhibited robust acceleration in the pace of recovery in the fourth quarter of FY2010 led by strong growth in industrial activities. At 8.6%, GDP growth in the fourth quarter of FY2010 showed a significant recovery in relation to the 5.8% growth recorded during the second half of FY2009. The RBI expects overall GDP growth in FY2011 to accelerate further.

The Indian economy has weathered the global downturn relatively well. The OECD, in its Economic Outlook No. 87 released in May 2010, projects that India's real GDP will grow at a rate of 8.3% in CY2010 and 8.5% in CY2011 due to recent high frequency indicators of activity and business sentiment and an expected rebound in agricultural activity following the deficient monsoonal rainfall in CY2009.

Although the Indian economy has improved markedly since the implementation of economic reforms in 1991, India continues to underperform in the development of its infrastructure. According to the GoI's Projections of Investment in Infrastructure during the Eleventh Five Year Plan released in October 2007 lack of infrastructure is one of the major constraints on India's ability to achieve 9.0% to 10.0% growth in GDP.

The power sector has been recognized by the GoI as a key infrastructure sector to sustain the growth of the Indian economy. As per the Projections of Investment in Infrastructure during the Eleventh Plan released in August, 2008, investment in the electricity sector is projected at ₹ 6,665 billion (approximately US$166.63 billion) at FY2007 prices, or approximately 32.42% of the total projected investment in infrastructure during the Eleventh Plan.

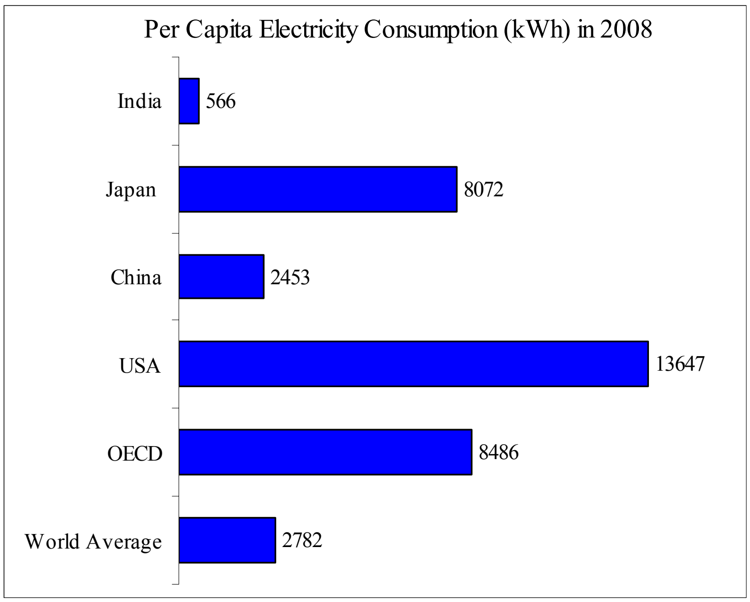
OVERVIEW OF THE INDIAN POWER SECTOR

India is both a major energy producer and consumer. According to the CIA Factbook, India ranked as the world's fifth largest energy producing nation in 2009 behind the United States, China, Russia and Japan with estimated total production of 723.8 billion kWh. It is also the world's fifth largest energy consuming nation, with estimated total consumption of 568 billion kWh in 2007.

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

Demand for Electricity in India

Per capita consumption of power in India remains relatively low compared to other major economies as set forth below:



Source: *IEA, Key World Energy Statistics, 2010*

The low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The projected energy demand in India is as set forth below:

Year	Electricity Energy Requirements at Power Station Bus Bars (GWh)	Annual Peak Electric Loan at Power Station Bus Bars (MW)
2011-2012	968,959	152,746
2016-2017	1,392,066	218,209
2021-2022	1,914,508	298,253

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

Supply of Electricity in India

Since the 1980's, India has been facing an imbalance with respect to its energy requirements. The demand for energy, particularly commercial energy, has been growing rapidly in India along with the growth of the economy, changes in the demographic structure, rising urbanization, socio-economic development and the desire for attaining and sustaining self-reliance in some sectors of the economy. Industrial production alone grew at a rate of 8.20% in CY2009 according to the CIA Factbook.

India faces significant challenges in meeting its energy needs in a sustainable manner and at competitive prices. Primary energy requirements grew at an average annual growth rate of 3.67%

between FY91 and FY07, with the primary commercial energy requirement growing at an average annual growth rate of 4.93% during the same period. (Planning Commission, Government of India, Eleventh Five Year Plan).

According to provisional figures in the Central Electricity Authority's ("**CEA**") Monthly Review of the Power Sector for August, 2010, the monthly national power supply deficit was at 7.5%, with the monthly national peak power deficit at 10.7%. The chart below sets out the actual power supply position from FY2003-FY2010:

Period	Peak Demand (MW)	Peak Met (MW)	Peak Deficit/ Surplus (MW)	Peak Deficit/ Surplus (%)
FY2003	81,492	71,547	-9,945	-12.2
FY2004	84,574	75,066	-9,508	-11.2
FY2005	87,906	77,652	-10,254	-11.7
FY2006	93,255	81,792	-11,463	-12.3
FY2007	100,715	86,818	-13,897	-13.8
FY2008	108,866	90,793	-18,073	-16.6
FY2009	109,809	96,885	-13,124	-12.0
FY2010	118,472	102,725	-15,748	-13.3

Source: CEA, Power Scenario at a Glance, April 2010

To deliver a sustained economic growth rate of 8.0% through 2031-2032 and to meet the "lifeline energy" needs of all its citizens, India needs, at the least, to increase its primary energy supply by 3 to 4 times and its electricity generation capacity by 5 to 6 times based on FY2004 levels. With FY2004 as a baseline, India's commercial energy supply would need to grow from 5.2% to 6.1% per annum while its total primary energy supply would need to grow at 4.3% to 5.1% annually. By FY2032, power generation capacity must increase to around 800,000 MW from FY2004 capacity of around 160,000 MW inclusive of all captive plants. (Planning Commission, Integrated Energy Policy Report of the Expert Committee, August 2006).

This represents a need for the substantial augmentation of power generation capacity. Such investment in power generation will require increased investment in power transmission and distribution if the additional power is to be effectively disseminated among potential customers.

The chart below sets forth India's total installed capacity as at September 30, 2010:

Hydro (MW)	Thermal (MW)	Nuclear (MW)	Renewables (MW)	Total (MW)
37,328.40	106,517.98	4560.00	16,429.42	164,835.80

Source: CEA, Monthly Review of the Power Sector for September 2010

Power Generation Capacity Addition

The GoI has adopted a system of successive Five Year Plans that set out targets for economic development in a number of sectors, including the power sector. Each successive Five Year Plan has had increased targets for the addition of power generation capacity. The Eleventh Plan calls for an increase of 15,627 MW of hydroelectric power, 59,693 MW of thermal power and 3,380 MW of nuclear power for a target of 78,700 MW during the period April 1, 2007 to March 31, 2012. (Ministry of Power, Annual Report 2009-2010).

The Ministry of Power determined that, as at January 31, 2010, capacity of 19,582 MW had been commissed during the Eleventh Plan and an additional generation capacity of 42,792 MW was likely to be commissioned with a high level of certainty for an anticipated total of 62,374 MW. Another

12,590 MW of projects could potentially be commissioned during the period. (Ministry of Power, Annual Report 2009-2010).

According to the Planning Commission's Projections in the Eleventh Five Year Plan for Investment in Infrastructure, planned total capacity additions will require total investment in the electricity sector of approximately ₹ 6,665 billion at FY2007 prices, which is equal to approximately 2.36 times the investment anticipated in the Tenth Plan in the electricity sector. The projections assume that central government investment in the Eleventh Plan will grow at a CAGR of 15.0% and states' investment at 38.0% in view of the thrust on augmenting distribution systems and rural electrification. Private investment is expected to grow at 24.0%.

A generation capacity addition of about 100,000 MW is envisaged for the Twelfth Five Year Plan during the period from April 1, 2012 to March 31, 2017. (CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond).

Inter-regional Load Flow

With the strengthening of inter-regional connections by 2012, the inter-regional capacity is expected to grow to 27,950 MW, according to the Planning Commission's Mid-Term Appraisal of the Eleventh Five Year Plan. This will facilitate transfer of power from surplus regions to deficit regions. The projected power exchange requirement load flows among various regions for Fiscal 2012 is as set forth below:

	Load Flows for Fiscal 2012 for peak demand and availability (surplus/deficit)		
Region	**Winter (MW)**	**Monsoon (MW)**	**Summer (MW)**
Northern	7,870	1,220	2,600
Western	4,460	5,630	6,300
Southern	2,620	1,340	1,360
Eastern	12,510	1,700	6,420
Northeastern	2,440	4,050	3,840

	Load Flows for Fiscal 2012 for off-peak demand and availability (surplus/deficit)		
Region	**Winter (MW)**	**Monsoon (MW)**	**Summer (MW)**
Northern	5,880	-	4,280
Western	340	2,090	-
Southern	-	-	-
Eastern	5,390	700	3,000
Northeastern	150	1,390	1,280

Source: CEA, National Electricity Plan – Transmission (2005 Draft)

Ultra Mega Power Projects

In order to meet the planned capacity addition for generation, the Government of India has turned to large capacity projects at the national level to meet the requirements of a number of states. Recognizing the fact that economies of scale leading to cheaper power can be secured through development of large size power projects using super critical technology that have the advantages of low consumption of coal and lower emissions, the Ministry of Power is developing nine Ultra Mega Power Projects ("**UMPPs**") in nine different states through tariff based competitive bidding. As at January 31, 2010 the Mundra, Sasan, Krishnapatnam and Tilaiya UMPP's have been transferred to successful bidders. The 9 UMPPs, each with the capacity of about 4,000 MW, would also have scope for further expansions. Several states have requested a second UMPP. (Ministry of Power, Annual Report 2009-2010).

Transmission of Power in India

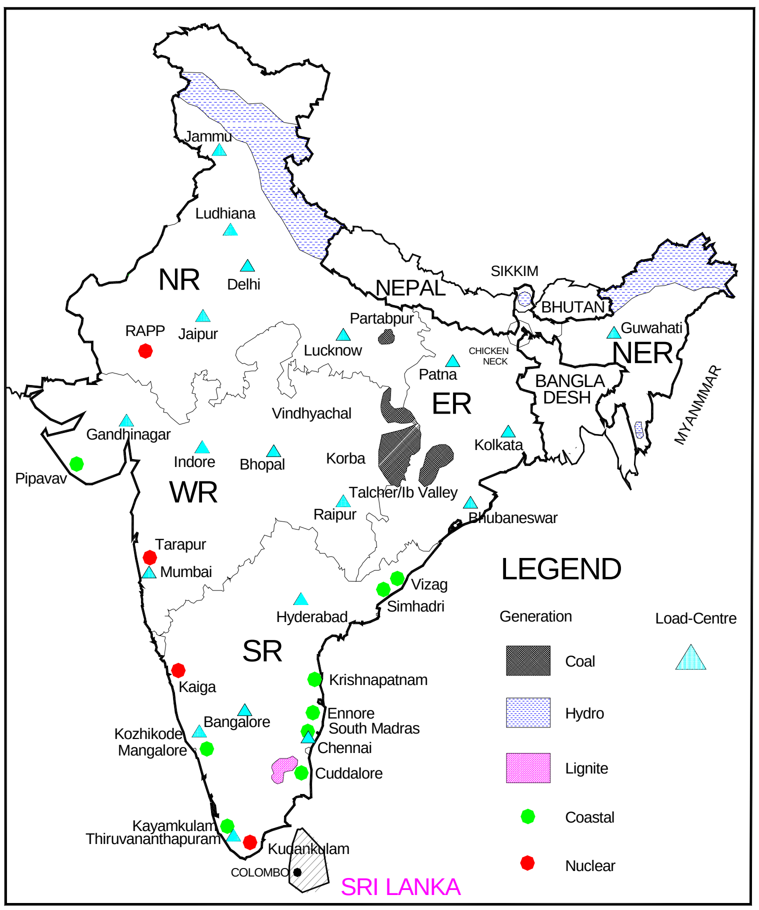
If the GoI intends to increase installed power generation capacity by 78,700 MW by 2012, it must also facilitate an expansion of the transmission network and inter-regional capacity to transmit power. Average investment in T&D in India during the Tenth Plan was about 32% of investment in generation. (Ministry of Power, Report on the Working Group on Power for Eleventh Plan (2007-2012)).

Electric Power Transmission and Distribution

The transmission of electricity is typically defined as the bulk transfer of power over a long distance at a high voltage, generally 132 KV and above. The distribution of electricity is the delivery of power from the transmission system to the customer. A reliable transmission and distribution system is important for the proper and efficient transfer of power from generating stations to load centers and beyond. A transmission and distribution ("**T&D**") system is typically comprised of transmission lines, sub-stations, switching stations, transformers and distribution lines.

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

The following map illustrates the relation of power generation sources and load centers in India:



Source: Company

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

The 3-Tier Structure in India

In India, the T&D system is a 3-tier structure comprising distribution networks, state grids, and regional grids. The distribution networks and state grids are principally owned and operated by SEBs or other state utilities, or state governments (through state electricity departments). Most of the interstate and inter-regional transmission lines are owned and operated by Power Grid or its joint ventures. At present there are five regional grids operating in India, in the Northern, Eastern, Western, Southern and Northeastern regions. Regional or interstate grids facilitate the transfer of power from a region with a surplus to one with a deficit. These regional grids also facilitate the scheduling of maintenance outages and coordination between power plants. Presently the Northern, Eastern, Western and North Eastern regions, are operating in one synchronous mode with total installed capacity of 90,000 MW and the Southern region is interconnected with Western Region and Eastern Region through HVDC links. (Ministry of Power, Annual Report 2009-2010).

Towards an All-India Grid

At the time of Independence, transmission power systems in India were isolated systems developed in and around urban and industrial areas. The SEBs were responsible for development of generation, transmission, distribution and utilization of Electricity in their respective States. The objective of development was to have a coordinated process towards an integrated system. In 1964, for the purpose of coordinated power sector planning on a larger scale and integration of state grid systems towards optimum development and utilization of resources, the country was divided into five regions. Regional Electricity Boards were established in each region for facilitating the integrated operation of state systems and encouraging exchange of power among the states. For this, inter-state lines were planned, which were treated as centrally sponsored scheme. In 1981, the GoI approved a plan for setting up a national grid.

Since 2003, the focus of planning the generation and the transmission system in the country has shifted from regional self-sufficiency towards optimization of utilization of resources on a nationwide basis.

The process of setting up the national grid was initiated with the formation of the central sector power generating and transmission companies, National Thermal Power Corporation Limited (now known as NTPC Limited.), National Hydroelectric Power Corporation Limited (now known as NHPC Limited.) and Power Grid Corporation of India Limited. Our Company was made responsible for planning, constructing, operating and maintaining all inter-regional links and taking care of the integrated operation of national and regional grids.

Increase to Transmission Capacity under the Eleventh and Twelfth Five Year Plans

The focus of transmission system development for the Eleventh Five Year Plan is to provide adequate inter-regional and intra-regional transmission capacity so as to consolidate and strengthen the national grid towards a strong all-India grid. With the strengthening of inter-regional connections by 2012, the inter-regional capacity is expected to grow to 27,950 MW by the end of the Eleventh Five Year Plan, according to the Planning Commission's Mid-Term Appraisal of the Eleventh Five Year Plan. The CEA anticipates that inter-regional transmission capacity would be on the order of 57,000 MW by

2015 and 75,000 MW by the end of the Twelfth Five Year Plan. The actual increase in transmission capacity will depend on corresponding growth in generation capacity. (CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond).

Setting up a national grid requires the gradual strengthening and improvement of regional grids and their progressive integration through extra high voltage and HVDC transmission lines. Of particular importance during the Eleventh Plan is the development of an inter-regional transmission system for the transfer of power from new hydroelectric power plants in the Northeastern Region. The existing capacity as at September 30, 2010 and the proposed addition to transmission lines at the outset of the Eleventh Five Year Plan are set forth in the table below:

	Transmission Capacity	
	Existing Capacity as at September 30, 2010 (ckm)	**Targeted Capacity under Eleventh Plan (ckm)**
765 kV	3,829	7,850
HVDC Up to 500 kV	8,234	7,432
400 kV	100,910	125,000
230/220 kV	130,788	150,000
Total	**243,761**	**290,282**

Source: CEA, Monthly Review of the Power Sector, September, 2010; CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond

Historical and inter-regional transmission capacity planned at the outset of the Eleventh Five Year Plan are set forth in the table below:

	Capacity as at March, 2009 (MW)	**Planned Capacity at the End of Fiscal 2012 (MW)**
East-South	3,630	3,630
East-North	6,330	12,130
East-West	2,990	6,490
East-North East	1,260	2,860
North-West	3,220	4,220
West-South	1,720	2,720
North East/East North/West		6,000
Total	**19,150**	**38,050**

Source: CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond

Investment in Transmission under the Eleventh and Twelfth Five Year Plans

Traditionally, the government has focused on investments in power generation to alleviate the acute power shortage in the country. In the process, the T&D segment has remained neglected and attracted significantly less investments in comparison to generation. The investment ratio between generation and T&D in India has historically been 2:1 against an ideal investment ratio of 1:1. Average investment in T&D during the Tenth Five Year Plan was about 32% of investment in generation. (Ministry of Power, Report on the Working Group on Power for Eleventh Plan (2007-2012)).

An investment of ₹ 1,400 billion was originally planned in the transmission sector in the Eleventh Five Year Plan as set out below:

Eleventh Five Year Plan	**(₹ in billions)**
Inter-State	750
Intra-State	650
Total	**1,400**

Source: Ministry of Power, Report of the Working Group on Power for Eleventh Plan (2007-2012).

The CEA estimates that the targeted investment in the Twelfth Five Year Plan (2012-2017) in the power sector will exceed that of the Eleventh Year Plan. The estimated investment in transmission and distribution to be made in the Twelfth Five Year Plan is set forth below:

Twelfth Five Year Plan	(₹ in billions)
Transmission	2,400
Distribution	4,000
Total	**6,400**

Source: CEA, Key Inputs for XIIth Plan Financing of Power Sector

Private Investments in Electric Power Transmission

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

In 2000, the GoI issued guidelines whereby the state transmission utilities (STUs, SEBs or their successor entities) and the central transmission utility (the Company) could identify transmission projects for the intrastate and the inter-state/inter-regional transmission of power, respectively. The STUs and the CTU could invite private companies to implement these projects through an IPTC or on a joint venture basis.

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

In April 2006, the GoI issued tariff-based competitive bidding guidelines for transmission services and bid process management and also issued guidelines for encouraging competition in development of transmission projects. The GoI also created an Empowered Committee, headed by a member of CERC. The functions of the empowered committee include identifying projects under the above scheme, facilitating preparation of bid documents, evaluating bids, finalizing project agreements and developing projects. Regarding intrastate transmission projects, the state governments can also adopt these guidelines and may constitute similar committees.

In May 2009, the GoI updated its regulations for the Empowered Committee and the tariff-based competitive bidding guidelines for transmission services.

As at January 31, 2010, the Empowered Committee had opened three inter-state transmission schemes to the tariff based competitive bidding process. Further, the Empowered Committee has proposed transmission works that would be open to competitive bidding during the Twelfth Five Year Plan as set forth in the following tables:

	Scope of Works under Package A1: System Strengthening Common for WR and NR	
S. No.	**Name of the Line/Substation**	**Estimated Length (km)**
1	Dhramjaygarh-Jabalpur pool 765kV 1xD/C 765kV lines (one D/C line under PGCIL scope)	350
2	Jabalpur pool-Bina 765kV lines – 1X S/C line (1XD/C line under PGCIL scope)	250

	Scope of Works under Package A2: Synchronous Interconnection between SR and WR (Part-B)	
S. No.	Name of the Line/Substation	Estimated Length (km)
(i)	(ii) Raichur Sholapur 765 kV S/C line-1	230

	Scope of Works under Package B: System Strengthening for WR	
S. No.	Name of the Line/Substation	Estimated Length (km)
1	Jabalpur Pool-Bhopal 765kV S/C line	330
2	Bhopal-Indore 765kV S/C line	180
3	Aurangabad-Dhule (new) 765kV S/C line	150
4	Dhule (new)-Vadodara 765kV S/C line	250
5	Dhule (new)-Dhule (MSETCL) 400 kV D/C quad	40
6	Bhopal-Bhopal (MPPTCL) 400 kV D/C quad	40
7	2x1500MVA, 765/400kV substation at Bhopal	
8	2x1500MVA, 765/400kV substation at Dhule	

Source: Ministry of Power, Annual Report 2009-2010

Rajiv Gandhi Grameen Vidyut Yojana

To further strengthen the pace of rural electrification, and with an objective to electrify all villages and rural households initially over a period of five years from 2005 to 2010, the GoI launched the Rajiv Gandhi Grameen Vidyutikaran Yojana ("**RGGVY**") program in March 2005. RGGVY aims to create a rural electricity distribution backbone by providing for substations, distribution transformers and decentralized distribution generation systems where grid supply is not feasible. Under the RGGVY, the GoI will provide a 90% capital subsidy, and make soft loans for the 10% balance to SEBs through REC Limited. Under the Eleventh Five Year Plan, ₹ 280 million had been sanctioned as of January 31, 2010 in capital subsidies. (Ministry of Power, Annual Report 2009-2010).

As at January 31 2010, progress on the RGGVY scheme, as reported by Ministry of Power, included the following:

- 71,983 villages had been electrified and 9.12 million connections to households below the poverty line have been provided;
- 567 projects, covering 118,499 un-electrified villages and connections to 24.6 million households had been sanctioned;
- All the states with the exception of Delhi and Goa had signed Memorandum of Agreement agreeing to the conditions for implementation of the program as envisaged under RGGVY.

OVERVIEW OF THE INDIAN INTERNET BROADBAND SECTOR

Internet Broadband Technologies

Some of the more popular technological platforms for internet broadband use include fiber optic, DSL/ADSL broadband, satellite and wireless technologies such as WiMAX, WiFi and 3G. Fiber optic cable uses lasers or light emitting diodes to transmit pulses of light through fiber cable. Fiber optic cable can carry thousands of times more data than either electric signals or radio waves because light uses higher frequencies. The infrared laser light is typically used in telecommunications has a frequency of roughly 100 MHz. Currently, most fiber optic cables transmit light only at one frequency, but, as technology improves, the bandwidth on fiber optic lines can be increased by simply adding more frequencies, thereby multiplying the capacity to carry data information. According to the

TRAI, there is no limit to the upstream and downstream bandwidths and fiber-ethernet will remain the key "wired" network of the future. (TRAI, Indian Telecom Services Performance Indicators January-March 2010 released July 2010).

Growth in the Indian Internet Broadband Sector

In the 1990s, the GoI recognized the need to encourage the spread of the internet in the country. The GoI launched internet services in India in 1995 through Videsh Sanchar Nigam Limited. In November, 1998 the GoI opened the sector to private operators with liberal license conditions, no license fees and an unlimited number of players. The number of subscribers grew more than 200% per year, from 0.28 million in March, 1998 to 3.04 million by March, 2001, owing to supportive government policy and to lower internet tariffs resulting from the entry of a large number of private players. (TRAI, Draft Recommendations on Growth of Broadband, released September 17, 2007).

More recent growth in the number of internet subscribers and the number of broadband subscribers among internet subscribers is set forth in the following table:

	Growth of Internet and Broadband Subscribers (in millions)				
	March, 2006	March, 2007	March, 2008	March, 2009	March, 2010
Internet subscribers	6.94	9.27	11.09	13.54	16.18
Broadband subscribers	1.35	2.34	3.87	6.22	8.77

Source: TRAI, Indian Telecom Services Performance Indicators January-March 2007, released July, 2007; TRAI, Indian Telecom Services Performance Indicators April-June 2008 released October, 2008; Indian Telecom Services Performance Indicators April-June 2009, released October, 2009; TRAI, Indian Telecom Services Performance Indicators January-March 2010, released July, 2010.

Use of the internet has evolved over the years. When internet access became available in India in 1995, the vast majority of users accessed the internet through dial-up connections. The websites accessed were simple text pages that used low bandwidth. At the time, the internet was used primarily as a tool to obtain information easily and to facilitate communication through applications such as email.

The proliferation and popularity of internet applications has brought about a surge in internet usage. Reliable, high-speed internet connections for business and commercial uses has become a necessity. The internet is commonly used for email communication with large attachments, while narrow band e-commerce applications, such as online bill payment facilities, are also gaining in popularity. In conjunction, the internet has emerged as a source for personal entertainment. New usage categories are emerging, such as social networking sites like www.facebook.com and media-sharing sites like www.youtube.com. Such sites require large bandwidth consumption at the consumer level.

The resulting rise in internet traffic has created a growing requirement for internet service that is "always on," while capable of handling high throughput levels. Fixed line internet users are tending towards higher bandwidth services with the share of broadband subscribers in total internet subscribers increasing to 56.70% as at June, 2010. (TRAI, Indian Telecom Services Performance Indicators April-June 2010, released October, 2010).

According to the TRAI's Consultation Paper on National Broadband Plan released in June, 2010, access providers and national long distance operators were laying very limited amounts of fiber optic cables and instead concentrating on wireless, as the cost of right of way was very high. Because of the increase in bandwidth consumption, which wireless internet may not be able to support, urgent action was recommended to encourage penetration of optical fiber in urban areas.

OVERVIEW OF THE INDIAN TELECOMMUNICATION SECTOR

Types of Telecommunications Infrastructure

Telecommunication service providers utilize a combination of active and passive telecommunications infrastructure to provide access services to their customers.

- Active telecommunications infrastructure includes the hardware and software which is involved in the actual transmission and reception of telecommunications including the transceivers, antennae, cabling, feeders and other related equipment.
- Passive telecommunications infrastructure includes the various infrastructure components which support the active telecommunications infrastructure. These include ground based and rooftop towers, masts, shelters, SMPS, battery backups, DG Sets and air conditioning equipment.

Demand for Telecommunications Infrastructure

Demand for our infrastructure solutions in the active and passive telecommunications infrastructure sector is largely dependent on the development, demand and new investment in wired and wireless telecommunications sectors.

The telecommunications sector in India has shown remarkable growth during the last decade propelled largely by unprecedented demand for mobile telephones. India has the second largest telecom network and the second largest wireless network in the world. (Department of Telecommunications, Annual Report 2009-2010).

The recent growth in the number of telephones in India is set forth in the following table:

	Growth of Telephones (in millions)				
	March 2006	**March 2007**	**March 2008**	**March, 2009**	**March, 2010**
Fixed Lines	40.23	40.77	39.41	37.96	36.96
Wireless	101.86	165.09	261.08	391.76	584.32
Gross Total	142.09	205.86	300.49	429.72	621.28
Annual Growth	44%	45%	46%	43%	44.%

Source: Department of Telecommunications, Annual Report 2009-2010; TRAI, Indian Telecom Services Performance Indicators January-March 2010, released July, 2010.

The Indian telecommunications market has the potential to grow further. With a large percentage of the population yet to have access to telecommunication and with nationwide tele-density of 56.83% nationwide and rural tele-density of 26.43% as at June, 2010, potential for the sector remains large, especially in urban areas where wireline and internet services are yet to make significant inroads. Even the mobile services space, which has seen exponential growth in urban areas, has not reached the vast majority in rural areas. The focus of the stakeholders is now shifting to untapped rural areas, which will provide the engine for a second phase of the growth of the Indian telecommunications market. The targeted rural tele-density has been upgraded to a target tele-density of 40% by 2014 and one billion telephones in the country by 2015 are being contemplated. (TRAI, Indian Telecom Services Performance Indicators April-June 2010, released October, 2010; Department of Telecommunications, Annual Report 2009-2010).

Potential for further growth in the requirements for telecommunications infrastructure is also due to increased bandwidth demands for value-added services. The Average Revenue per User ("**ARPU**") for GSM services declined by 7% to ₹ 122 in the three month period ended June 30, 2010. ARPU for CDMA services similarly declined by 3% to ₹ 74 for the three month period ended June 30, 2010.

With the object of increasing the ARPU for mobility services, telecommunication service providers are attempting to deliver value added content like streamed video and television content over 3G and WiMax networks which will become available to them through a competitive bidding process which took place between May 24, 2010 and June 11, 2010. Such services will increase bandwidth requirements and hence infrastructure requirements per user. (TRAI, Indian Telecom Services Performance Indicators April-June 2010, released October, 2010; Department of Telecommunications website accessed September 9, 2010).

An April, 2007 recommendation paper published by the TRAI on infrastructure sharing analyzed the available passive and active telecommunications infrastructure in India and concluded that in order to provide 250 million telephones to subscribers by December 2007 and 500 million telephones by 2010, about 135,000 towers would be required by 2007 and 330,000 towers by 2010, as against 100,000 towers which existed at that time. (Telecom Regulatory Authority of India, Recommendations on Infrastructure Sharing, released April, 2007). The paper recommended meeting demand by sharing infrastructure among service providers as a solution to the high capital costs of constructing new towers.

OUR BUSINESS

OVERVIEW

We are India's principal electric power transmission company. We own and operate more than 95% of India's interstate and inter-regional electric power transmission system ("**ISTS**"). In that capacity, as at September 30, 2010, we owned and operated 79,556 circuit kilometers of electrical transmission lines and 132 electrical substations. In Fiscal 2010, we transmitted approximately 363.72 billion units of electricity, representing approximately 47% of all the power generated in India. In the six months ended September 30, 2010, we transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in India. We were ranked as the world's third largest transmission utility by the World Bank in January 2009.

We have been entrusted by the GoI with the statutory role of Central Transmission Utility ("**CTU**"). As CTU, we operate and are responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate non-discriminatory open access to available capacity in the ISTS.

We were designated a Mini-Ratna Category-I public sector undertaking in October 1998 and we were conferred the status of "Navratna" by the GoI in May 2008, which provides us greater autonomy to undertake new projects without GoI approval and allows us to make investments in subsidiaries and joint ventures, subject to an investment ceiling set by the GoI. We have received the highest annual performance rating of "Excellent" from the GoI in each year since Fiscal 1994.

We commenced our operations in Fiscal 1992 as part of an initiative of the GoI to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets, including transmission lines and substations, of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us from Fiscal 1992 to Fiscal 1994. For more details of our history, see "***History and Certain Corporate Matters***" on page 130.

From April 1, 2007 to September 30, 2010 we completed 32 transmission projects valued in the aggregate at approximately ₹ 138.6 billion. As at September 30, 2010, we had 68 transmission projects in various stages of implementation. As at September 30, 2010, we have spent ₹ 291.2 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The mid-term goal of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of 27,950 MW, which would include our transmission system and that of others.

The tariffs for our transmission projects are determined by the Central Electricity Regulatory Commission ("**CERC**"), pursuant to the Electricity Act 2003 and CERC regulations. The current CERC regulations are the CERC (Terms and Conditions of Tariff) Regulations, 2009, ("**Fiscal 2010-2014 Regulations**"), which are based on a cost-plus-tariff based system and provide us a return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the normal tax rate as applicable for the respective year.

A crucial aspect of the operation of an electric power system is management of the power flow in real time with reliability and security on a sound commercial and economic basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("**RLDCs**") in each of the five regions into which India is divided for purposes of power transmission and operation. As the RLDC operator, we have modernized the regional and state load despatch centers and their communication networks. In Fiscal 2009, the National Load Despatch Centre ("**NLDC**") was established. The NLDC is responsible for monitoring the operations and grid security of the national grid and supervises the scheduling and despatch of electricity over inter-regional lines in coordination with the RLDCs. All bilateral transactions are undertaken through the RLDCs, while transactions facilitated by the power exchanges are undertaken by NLDC. Our wholly-owned subsidiary, Power System Operation Corporation Limited ("**POSOCO**"), was established in March 2009 to oversee the grid management function of the RLDCs and NLDC. POSOCO received a certificate of commencement of business in March 2010, and we are in the process of transferring the movable assets of our power system operations segment to it. During Fiscal 2010, approximately 52.37 billion units of inter-regional energy transfer were facilitated across the country as compared to approximately 46.03 billion units in Fiscal 2009. The fees generated from our RLDC and NLDC operations are determined by CERC, pursuant to the Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

Leveraging on our strength as India's principal power transmission company, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. As at September 30, 2010, we were engaged in providing consultancy services to our clients in 75 domestic and international projects. In our consultancy role, we have facilitated the implementation of GoI-funded projects for the distribution of electricity to end-users through the RGGVY in rural areas and, until March 2009, the Accelerated Power Development and Reform Programme ("**APDRP**") in urban and semi-urban areas.

We have also diversified into the telecommunications business since 2001, utilizing our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines. As at September 30, 2010, the network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. We believe we are one of the few providers of telecommunications infrastructure with a significant presence in remote and rural areas. The availability of our telecom backbone network has been consistently maintained at 99.9% during Fiscal 2010. We have been leasing bandwidth on this network to more than 70 customers, including Bharti Airtel, Bharat Sanchar Nigam Limited, National Informatics Centre, Dishnet Wireless Limited, and Tata Communications Limited.

We have received the following licenses to provide telecommunication infrastructure services: Infrastructure Provider Category - I to construct infrastructure assets such as dark fibre, right of way, duct space and towers, Internet Service Provider Category A licence to provide internet services and a National Long Distance license to provide end to end bandwidth services.

In Fiscal 2010 we generated a total income of ₹ 75,035.8 million and profit after tax of ₹ 20,409.4 million. In Fiscal 2010, our revenues from transmission and transmission-related activities constituted 92.3% of our total revenue from operations, with the balance coming from our consulting and telecommunication businesses and from short term open access. In the six months ended September 30, 2010, we generated a total income of ₹ 43,726.6 million and profit after tax of ₹ 13,545.8 million. Our revenues from our transmission and transmission related activities constituted 91.5% of our total revenue from operations for the six months ended September 30, 2010.

We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2008 for quality, ISO 14001:2004 for environment management and OHSAS 18001:2007 for health and safety management systems. We are also certified for Social Accountability Standard, SA 8000:2008 for all our operations.

We seek to operate our transmission system at high levels of efficiency. In Fiscal 2010, we maintained a system availability rate of 99.77%. According to Booz & Company's comparative benchmarking across global transmission companies, our Company was rated as one of the best in terms of system availability in Fiscal 2010. In the six months ended September 30, 2010, our system availability rate was 99.86%. We have had no major grid disturbances, meaning an interruption affecting an entire region or an inter-regional transmission system, in the last seven years.

The following table presents certain company-wide operating parameters for the periods indicated:

	Fiscal			For the six months ended September 30,
	2008	**2009**	**2010**	**2010**
Transmission Network (circuit kilometers)	66,809	71,437	75,289	79,556
Substations (number)	111	120	124	132
Transformation Capacity (MVA)	73,122	79,522	83,402	89,170
System Availability (%)	99.65%	99.55%	99.77%	99.86%

As at September 30, 2010, we operated a network of 79,556 circuit kilometers at 765 kV, 400 kV, 220 kV and 132 kV EHV AC and +/- 500 kV HVDC. Of this 60,197 circuit kilometers are 400 kV, 2,921 circuit kilometers are 765kV, 5,947 circuit kilometers are +/-500 kV HVDC and the balance run at lower levels. We are gradually increasing our network of 765 kV transmission lines with approximately 10,000 circuit kilometers and 20 substations under development.

OUR STRENGTHS

We believe that the following are our principal business strengths:

Leadership position in Indian power transmission sector

We are India's principal electric power transmission company, owning and operating more than 95% of India's ISTS. As at September 30, 2010, we operated a network of about 79,556 circuit kilometers of interstate transmission lines, 132 EHV AC and HVDC substations with transformation capacity of about 89,170 MVA and during the six month period ended September 30, 2010 we transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in India. We were ranked as the world's third largest transmission utility by the World Bank in January 2009.

We are responsible for the expansion and technological modernization of the national electricity grid of India. Further, in our capacity as CTU, we are instrumental in implementing the regulatory framework for the power transmission industry throughout the country.

According to the 2009 Platts Top 250 Energy Company Rankings, we are number 15 on the list of fastest growing Asian energy companies.

High operational efficiencies

We have maintained an average availability of over 99% for our transmission system since Fiscal 2002 and we have not had a major grid disturbance, meaning an interruption affecting an entire region or an inter-regional transmission system, since January 2003. In order to ensure high rates of availability for our transmission systems, we monitor and maintain our infrastructure using modern techniques and technologies. Our levels of system availability allow us to earn additional income under certain incentive mechanisms built into our tariff structures pursuant to CERC tariff regulations. Since Fiscal 1994, we have been rated "Excellent" by the GoI on an annual basis as a result of our achievement of performance targets, which include demonstration of high operational efficiencies, set for us in memoranda of understanding that we agree to annually with the GoI.

Our operation and maintenance activities are ISO certified and our systems and procedures are updated to keep abreast with modern technology. Maintenance schedule documentation and procedures have been standardized across our assets and are available through our website portal. Periodic reviews are conducted at substations and line offices to evaluate the implementation of our systems and procedures and enhance the efficiency of our operations. Further, initiatives such as the replacement of old relays with advanced numerical or static relays, the refurbishment of existing transformers after carrying out residual age analysis have been undertaken to replace ageing transmission assets as per prevalent CERC tariff regulations. We have also introduced remote operations of existing sub-stations for optimal utilization of resources. The Ministry of Power has consistently awarded us National Awards for meritorious operational performance in the power sector since Fiscal 2005.

We have introduced state-of-the-art operation and maintenance measures such as carrying out live line maintenance using hotline maintenance equipment, including using helicopters to clean polluted insulators, and establishing Emergency Restoration Systems ("**ERS**") for the restoration of collapsed transmission lines in the minimum possible time. Further, we ensure frequent interaction between senior officials across all the regions in which we operate through multi-location video conferencing facilities.

Effective project implementation

We have extensive experience and expertise in implementing new transmission projects and expanding India's transmission systems. During the ninth, tenth and eleventh five year plans (through to September 30, 2010), we have added 12,436 circuit kilometers, 19,172 circuit kilometers and 20,086 circuit kilometers of transmission lines and 14, 36 and 30 sub-stations, respectively.

Our capabilities in this regard encompass many facets of transmission activities, from conceptualizing to the commissioning of projects. We contract out the construction of our transmission projects subject to our supervision and quality control.

We prioritize the efficient implementation of our transmission projects to meet stipulated time frames in order to be eligible for additional return on equity of 0.5% as per the Fiscal 2010-2014 Regulations and to derive maximum economic benefits from our commissioned projects. Our Integrated Project Management and Control System ("**IPMCS**") for the planning, monitoring and execution of projects has contributed significantly towards this goal. Under the IPMCS, various project implementation activities are broken down with identified key milestones to enable the monitoring and control of critical paths of implementation. Large transmission projects are often broken into separate elements with phasing in of commissioning that matches the priority of the requirements and allows for incremental increases to the revenue as parts of a project are commissioned. Procurement for our transmission projects is divided into well defined contracts awarded through competitive bidding. Advance action is taken for tendering, forest clearance and land acquisition, which are all critical aspects for the timely completion of a transmission project, even before investment approval is granted.

Following the award of contracts, an integrated plan governs the implementation of the transmission project, including control of the quality of materials and work during construction. We have a pool of trained and experienced personnel having expertise in all areas of project implementation, including system planning, design, engineering, contracts management, project management, supervision of construction, testing and commissioning activities.

Attractive tariffs, competitive landscape and business model

We are able to recover operating and maintenance charges as determined by CERC tariff regulations. Our transmission tariffs are presently determined under the Fiscal 2010-2014 Regulations on a cost-plus-tariff basis and provide us with a 15.5% return on equity until March 31, 2014. We also earn additional incentives for the timely commissioning of transmission projects and for maintaining high system availability pursuant to CERC norms. Further, as we have been designated as the CTU by the GoI, we have no direct competitors of significant size for our transmission business. In addition, many aspects of our core transmission business are characterized by a stable business model with low volatility and consistent returns. Our core business benefits from consistent and growing demand for power transmission and we provide an essential input for economic and societal growth. Because our transmission business has remained at our core since we commenced commercial operations, we have experience in managing our internal processes and systems, employees and physical assets. We rely on proven power transmission technologies but we also implement new innovations as opportunities arise.

Diversified business portfolio

Because of our established track record and technical expertise, since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. We are currently involved in 63 domestic consultancy contracts of various sizes. We have worked and we continue to work for various well-known government and private utilities such as: NTPC Limited, GMR Group Energy Sector Companies, Adani Power Limited, Jindal Power Limited, Jaiprakash Power Ventures Limited, EPTCL–Transmission Business and Lanco Power Limited**.** We are currently involved in 12 international consultancy projects in countries as diverse as Afghanistan, Bangladesh, Nigeria, Bhutan, United Arab Emirates, Sri Lanka and Nepal.

We have also leveraged our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines. As at September 30, 2010, the network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. We believe we are also one of the few providers of telecommunications infrastructure with a significant presence in remote and rural areas. The availability of our telecom backbone network has been consistently maintained at 99.9% during Fiscal 2010.

We have received the following licenses to provide telecommunication infrastructure services: Infrastructure Provider Category - I to construct infrastructure assets such as dark fibre, right of way, duct space and towers, Internet Service Provider Category - A licence to provide internet services and a National Long Distance license to provide end to end bandwidth services.

We generated revenues from our consultancy and telecommunications business of ₹ 4,268.9 million and ₹ 3,657.3 million in Fiscal 2010 and 2009, respectively. For the six months ended September 30, 2010, our revenues from our consultancy and telecommunications business amounted to ₹ 2,413.2 million.

Strong financial position and cash flow from operations

We have a strong financial position, which we believe will help us finance our expansion plans in the coming years. Our domestic bonds have been given the highest credit rating since Fiscal 2001, AAA by CRISIL, and LAAA by ICRA, and, since Fiscal 2008, CARE AAA by CARE. As at September 30, 2010, our debt-equity ratio was 2.1:1. Our high credit rating allows us to regularly access the debt markets to raise funds for capital expenditure at competitive rates. Our transmission projects have been funded primarily from cash generated from operations. Our net cash flow from operating activities was ₹ 33,780.7 million, ₹ 66,191.7 million and ₹ 65,906.4 million for the six month period ended September 30, 2010 and the Fiscal 2010 and Fiscal 2009 respectively. Our projects have also been funded in part by loans from the World Bank and the Asian Development Bank, which allow us to take loans at lower rates.

Government support

We believe that we derive a strategic advantage from our strong relationship with the GoI and we occupy a key position in plans for the growth and development of the Indian power sector. The President of India is the promoter of our Company and holds 86.36% of our issued and paid-up equity share capital with the power to appoint all our Directors, and in each year we enter into a memorandum of understanding with the GoI providing for our annual performance targets. The GoI's was supportive in securing the settlement of outstanding dues owed to us by the SEBs. The grant of "Navratna" status by the GoI in May 2008 provided us with strategic and operational autonomy and enhanced financial powers to take investment decisions without seeking GoI approval. The GoI's support also helps us establish international relationships through which we are able to win certain international consultancy projects.

Skilled and experienced senior management team and competent and committed workforce

We believe that our employees posses a level of competence and commitment that provides us with a key differentiator from our competition. 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 our senior management's expertise has played a key role in the growth of our business and in the development of consistent procedures and internal controls. In addition, the skills and diversity of our senior management team give us flexibility to respond to changes in the business environment.

We have been successful in attracting and retaining experienced staff in various areas, including operations, project management, engineering, technology, finance, human resources and law. We believe we have an employee team with a strong blend of experience and motivation. We invest significant resources in employee training and development, and we recruit through university campus selection and a competitive screening process to attract the best talent for entry-level positions.

OUR STRATEGY

Expand and strengthen our transmission network including the adoption of a higher voltage level system

We intend to continue to rapidly increase our capacity to maintain and grow our leadership position and remain as the largest Indian power transmission company. The GoI's Eleventh Five Year Plan commenced on April 1, 2007. The mid-term goal of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of 27,950 MW, which would include our transmission system and that of others. During the Eleventh Five Year Plan, up to March 31, 2010, we invested ₹ 254,405.2 million to further develop the national grid, including expanding inter-regional transmission systems and developing system strengthening schemes and transmission systems for the evacuation of power from central sector generation projects and UMPPs. Based on generation capacity targeted under the Eleventh Five Year Plan, we plan on capital expenditure of an aggregate amount up to ₹ 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012. From April 1, 2010 to September 30, 2010, we had invested ₹ 36,824.6 million.

As at September 30, 2010, we had 68 transmission projects in various stages of implementation. These projects involve approximately 40,000 circuit kilometers of transmission lines and 65 substations with a total power transformation capacity of approximately 106,000 MVA. We are in the process of adopting a higher voltage level system for our new projects. We are currently establishing a +/- 800 kV, 6,000 MW, HVDC, bi-pole line from the North Eastern Region to the Northern Region that we intend to transmit power over a distance of approximately 2,000 kilometers. We are facilitating the development and prototype testing of a 1,200 kV AC transmission system.

On May 31, 2010, the CERC accorded regulatory approval to us to proceed with the execution of nine high capacity transmission corridors, with HVDC links/765 kV UHVAC lines, to facilitate the evacuation of power from various generation projects being developed by independent power producers ("**IPPs**") within India. These nine corridors will help transport electricity from 48 new IPP plants, located in the coal belt, coastal areas capable of importing coal, or hydroelectric-rich areas in the Northeast region. The government-approved cost of the nine high capacity transmission corridors is ₹ 580,610 million. In addition, the Ministry of Power has directed us to construct transmission systems for the proposed 4,000 MW Chhattisgarh UMPP and 4,000 MW Orissa UMPP.

Maintain efficient operating performance by modernising our infrastructure and services and by maintaining industry best practices.

We intend to continue to maintain transmission availability above 99%, to optimise our operating costs and to incorporate more energy-efficient technologies. We are undertaking a range of initiatives to ensure optimal operating performance, including entering into an agreement with UMS Group Inc., an international utility management consulting firm specialising in the utilities industry, in March 2010 for the international benchmarking of our operation and maintenance practices. We intend to identify areas that require improvement and provide a plan for implementing best practices in operations, maintenance and technology.

As part of our continuing focus on efficient preventative maintenance, we have taken initiatives to undertake the aerial patrol of transmission lines by helicopter. If successful, we plan to deploy this system across our network.

We intend to modernize our infrastructure and services and to maintain industry best practices. Remote operation of substations allows for more effective utilization of our manpower and brings direct and indirect returns and benefits both from an operational and cost viewpoint. Currently, 26 of our substations are operated remotely. We are in the early stages of establishing a National Transmission Asset Management Centre and nine Regional Transmission Asset Management Centres to oversee the remote operation of most of our substations and maintenance hubs to cater to the maintenance requirements of nearby groups of substations rather than placing staff in each substation. In addition, we are in the process of developing and procuring 400 kV mobile substations to allow us to promptly restore power and repair damage to our substation facilities in the event of a natural disaster or major failure.

As part of our R&D initiatives we are undertaking a pilot project in the Northern Region involving the deployment of Phasor Measurement Units in a Wide Area Measurement System to potentially give us enhanced real-time situational awareness over our transmission systems in order to improve safety and reliability and to allow for review of significant system disturbances.

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Continue to expand our telecommunications infrastructure operations

We intend to expand our telecommunications infrastructure business. Our telecommunication infrastructure network benefits from the extensive geographic reach of our power transmission network. We anticipate adding to this network in accordance with market requirements. We plan to expand our telecom infrastructure network, including further diversification into value added services such as MPLS-VPN. Our Board has approved a plan to expand our network by approximately 2,000 kilometers in the current financial year.

With the focus now shifting from urban to rural connectivity, we see our role in the telecommunications arena becoming even more significant. We believe our power transmission network presence in rural and remote areas of the country can be leveraged to provide telecommunication services in such areas by co-locating wireless antennas on our tower infrastructure. As such, we are also planning to diversify into the business of leasing our tower infrastructure to independent tower firms and telecommunications service providers. We recently appointed a consultant to prepare the details of a financial feasibility study and draft agreements that will facilitate infrastructure sharing agreements and other tie ups with independent tower firms and telecommunications service providers. Based on a sample of 15,000 of our approximately 100,000 towers in operation, the report prepared by our consultant estimates that 10-15% of our towers are capable of carrying high voltage current and telecommunication signals together without interference. We have also carried out a collaborative study at Ballabgarh, Haryana for installation of antenna on our transmission towers to test suitability and found there was no interference. We are carrying out a pilot leasing project in collaboration with a service provider in the Gangtok area. The pilot leasing project has been in operation for over a year. We have floated tenders for the selection of telecom tower infrastructure providers for utilising our transmission towers in the states of Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir.

Continue to expand our consultancy business

We intend to expand our consulting services in the domestic and international markets. We believe our Company has attractive growth opportunities as the largest power transmission company in India which we can further leverage to the benefit of our consultancy partners. We are focusing on expanding our business internationally and increasing our reach beyond the domestic market. We currently have 12 ongoing international consultancy projects and have recently been awarded projects in Sri Lanka, Afghanistan and Bangladesh. We believe that such initiatives will open new avenues for revenue and margin growth.

Expand our corporate social responsibility initiatives

We are committed to the cause of inclusive and sustainable socio-economic development and intend to expand our involvement in this area through our Corporate Social Responsibility ("**CSR**") policy. Effective in Fiscal 2010, we intend to invest each year in furtherance of our CSR initiatives an amount equivalent to 1% of our net profit after tax from the previous year. In line with our policy, we have taken up various activities addressing socio-economic issues of affected persons. We plan to expand our work in the areas of infrastructure, education, community health, tribal welfare, arts, culture, heritage and vocational training.

OUR OPERATIONS

Our Transmission Business

Our core business is the transmission of electric power. We own and operate a large network of transmission lines and infrastructure that constitutes most of India's ISTS and carries electric power across India. By virtue of being the CTU, we are deemed a transmission licensee under the Electricity Act.

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

Constructing the ISTS

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

Completed Projects

From April 1, 2007 to September 30, 2010, we completed 32 transmission projects and schemes, valued in aggregate at approximately ₹ 138.6 billion. We contract out the construction of most of our transmission projects to contractors subject to our supervision and quality control.

The following table sets forth certain information in respect of commissioned transmission projects from April 1, 2007 to September 30, 2010 the estimated completion cost for tariff-determination purposes of which exceeded ₹ 5,000 million:

(₹ millions)

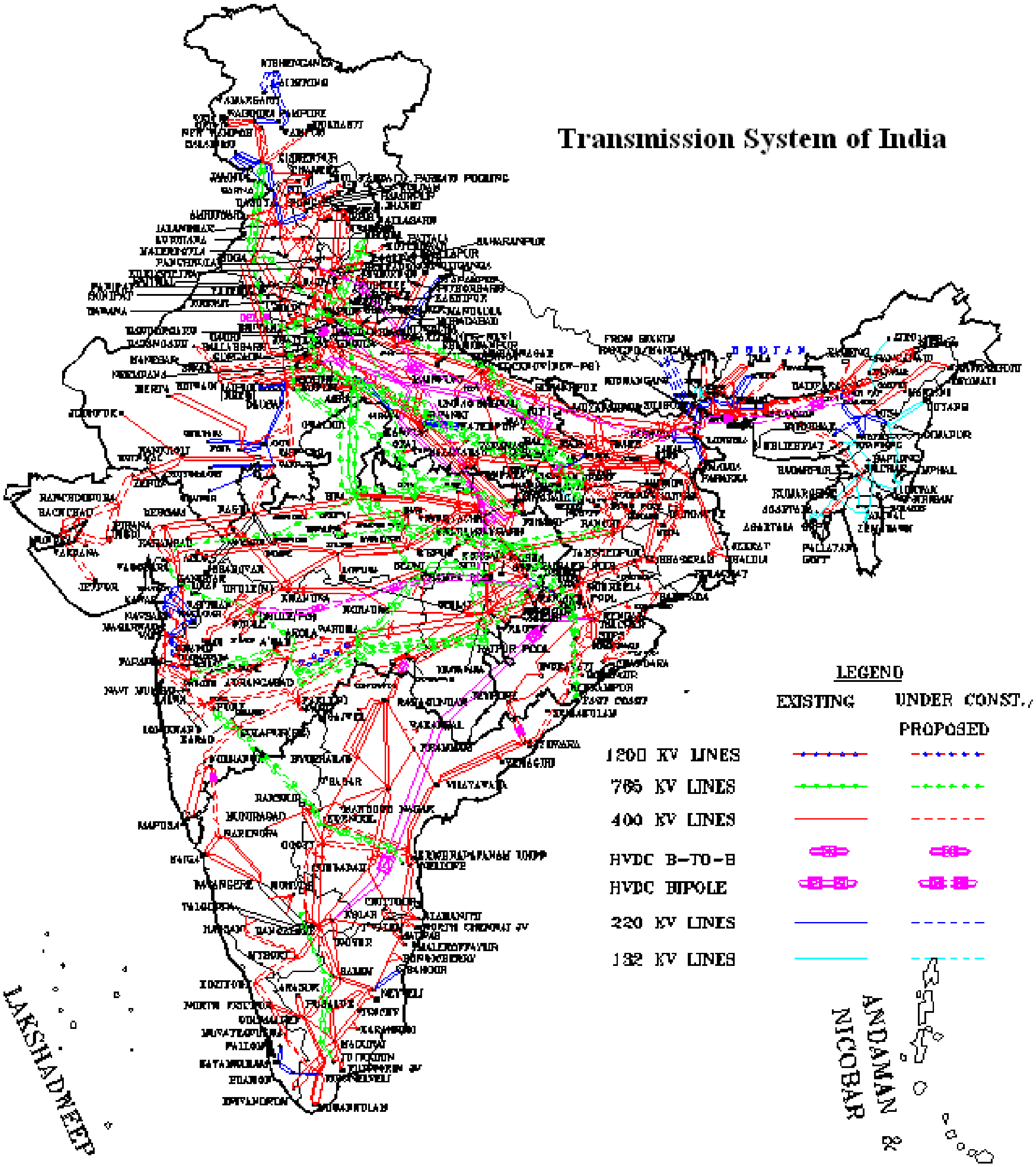
Project	Estimated Completion Cost[1]	Date of Commercial Operations
Neyveli Transmission System - II	9,051.2	October, 2010
Northern Region System Strengthening Scheme - V	6,694.8	April, 2010
SIPAT - II Supplementary Transmission System	9,552.4	December, 2009
SIPAT Transmission System Stage – I	22,713.6	April, 2009
RAPP 5 & 6 Transmission System	6,056.8	April, 2009
Kahalgaon Stage - II (Phase - II) Transmission System	5,511.7	March, 2009
SIPAT - II Transmission System	7,749.3	January, 2009
Kahalgaon Stage - II (Phase - I) Transmission System .	26,901.8	October, 2008
Vindhyachal - III Transmission System	6,481.5	February, 2008

Note:

1. Actual costs incurred may vary from the estimated completion cost. Some balance expenditure has yet to be incurred.

POWER GRID TRANSMISSION NETWORK

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



Ongoing Projects

As at September 30, 2010, we had 68 transmission projects in various stages of implementation. These projects involve approximately 40,000 circuit kilometers of transmission lines and 65 substations with a total power transformation capacity of approximately 106,000 MVA. The budgeted cost of these projects is ₹ 817,511.9 million. As at September 30, 2010, we had incurred costs of ₹ 236,014.7 million towards the 68 transmission projects.

The following table sets forth certain information in respect of our ongoing transmission projects the total estimated cost of which is greater than ₹ 10,000 million:

(In ₹ million)

Project	Nature of the project	Expected date of commissioning[1]	Approved cost as per investment approvals[2]	Estimated project cost as at September 30, 2010[3]	Total cost incurred as at September 30, 2010
Transmission System for development of pooling station in Northern Part of West Bengal and transfer of power from Bhutan to Northern Region / Western Region	Generation-linked	January, 2015	44,045.7	44,045.7	-
North East / Northern Western Interconnector – I Project	Generation-linked / Inter-regional	August, 2013	111,301.9	111,301.9	14,354.8
Northern Region System Strengthening – XXI	Grid-Strengthening	April, 2013	16,775.7	16,775.7	10.8
Transmission System associated with Sasan UMPP	Generation-linked	December, 2012	70,318.8	58,850.0	13,283.0
Transmission System associated with Pallatana power project and Bongaigaon thermal power station	Generation-linked	December, 2012	21,440.0	21,440.0	852.9
Transmission System associated with Vindhyachal – IV and Rihand – III Generation Projects	Generation-linked / Inter-regional	November, 2012	46,729.9	46,729.9	120.3
Eastern Region Strengthening Scheme – III	Grid-strengthening	November, 2012	12,728.0	12,728.0	317.8
Transmission System associated with Mundra UMPP	Generation-linked	October, 2012	48,241.2	46,820.0	9,207.8
Common Scheme for 765 kV Pooling Station with DVC and Maithon RB Project	Generation-linked / Inter-regional	August, 2012	70,753.3	70,753.3	25,017.8
Supplementary Transmission System associated with DVC and Maithon Right Bank Project	Generation-linked / Inter-regional	August, 2012	23,609.5	23,609.5	12,991.4
System Strengthening in Northern Region for Sasan and Mundra UMPPs	Grid strengthening	August, 2012	12,168.3	10,850.0	1,100.7
Transmission System associated with Kundankulam – Atomic Power Project	Generation-linked	March, 2012	21,590.7	21,590.7	16,140.2
765 kV System for Central Part of Northern Grid – PART – III	Grid-strengthening	May, 2012	10,751.2	10,751.2	1,142.1
Transmission System associated with Kaiga 3 and 4	Generation-linked	March, 2012	10,071.6	10,071.6	7,602.5
765 kV System for Central Part of Northern Grid – PART – I	Grid-strengthening	February, 2012	13,473.2	13,473.2	4,467.7
765 kV System for Central Part of Northern Grid – PART – II	Grid-strengthening	January, 2012	17,363.6	17,363.6	1,508.9
Western Region Strengthening Scheme – II	Grid-strengthening	March, 2011	35,814.0	35,689.9	26,464.9

Notes:

1. The commissioning of each generation-linked transmission projects is subject to the completion schedule of the generation projects.

2. Prior to our grant of "Navratna" status in May, 2008, projects over ₹ 5,000 million were subject to approval by the Ministry of Power. Subsequent to May, 2008, the Board of Directors has the power to approve capital expenditures without any ceiling for our projects.
3. Project costs are subject to on-going variation primarily on account of escalation clauses for change in the prices of raw materials in the contracts entered into with the contractors, an increase or decrease in the actual interest rate from the budgeted interest rate, additional interest costs incurred due to delay in projects and changes in statutory duties and taxes. The original approved costs of the Transmission System associated with the Kundankulam Atomic Power Project and the Transmission System associated with Kaiga 3 and 4 were ₹ 17,792.9 million and ₹ 5,882.5 million, respectively.

Future Projects

The GoI's Eleventh Five Year Plan commenced on April 1, 2007. The mid-term expectation of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of more than 27,950 MW, which would include our transmission system and those of others. During the Eleventh Five Year Plan up to March 31, 2010, we invested ₹ 254,405.2 million to further develop the national grid, including expanding inter-regional transmission systems and developing system strengthening schemes, transmission systems for the evacuation of power from central sector generation projects and UMPPs. Based on generation capacity targeted during the Eleventh Five Year Plan, we plan on capital expenditure of an aggregate amount up to ₹ 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012. From April 1, 2010 to September 30, 2010, we had invested ₹ 36,824.6 million.

On May 31, 2010, the CERC accorded regulatory approval to us, as CTU, to proceed with the execution of nine high capacity transmission corridors that will help transport electricity to the main load centers from 48 new IPPs located in the coal belt, coastal areas capable of importing coal, or hydroelectric-rich areas in the Northeast region. The nine transmission corridors will be implemented progressively with the construction of the IPPs. The government-approved cost of the nine high capacity transmission corridors is ₹ 580,610 million.

Further, the Ministry of Power has directed us to construct transmission systems for the proposed 4,000 MW Chhattisgarh UMPP and 4,000 MW Orissa UMPP.

Joint Ventures

We have investments in nine public-private joint ventures which have been established to develop certain new transmission lines and systems with private parties. Each of the public-private joint ventures has received a license to transmit power from CERC:

(i) Powerlinks Transmission Limited, incorporated to implement the transmission lines associated with the Tala Hydro Electric Power Project, with 49% shareholding by us and 51% shareholding by the Tata Power Company Limited. The project was commissioned in August 2006;

(ii) Jaypee Powergrid Limited, incorporated to develop the transmission system associated with the 1,000 MW power generation project at Karcham, with 26% shareholding by us and 74% shareholding by Jaiprakash Power Ventures Limited. The expected date of commencement of commercial operations is March 2011;

(iii) Torrent Powergrid Limited, incorporated to develop the transmission system associated with the 1,100 MW power project being implemented by Torrent Power Limited, at Akhakhol in Surat, Gujarat with 26% shareholding by us and 74% shareholding by Torrent Power Limited. Commercial operations on the Vapi-Jhanor transmission line at Sugen Bus began in March 2009 and commercial operations on the Jhanor-Dehgam transmission line at Sugen Bus (part of the 400 kV D/C Sugen – Jhanor line) began in March, 2010. We expect the 400 kV D/C Sugen – Pirana transmission line to commence operations by November 2010;

(iv) Parbati Koldam Transmission Company Limited, incorporated to develop the transmission system associated with the Parbati-II (800 MW) Hydro Electric Power Project in Kullu District, Himachal Pradesh and the Koldam (800 MW) Hydro Electric Power Project in Bilaspur District, Himachal Pradesh, with 26% shareholding by us and 74% shareholding by Reliance Infrastructure Limited. We expect the Parbati-II – Koldam 400 kV D/C to commence operations by December 2012 and the Koldam-Ludhiana 400 kV D/C by June 2012;

(v) Teestavalley Power Transmission Limited, incorporated to develop the 400 kV D/C Teesta-III –Mangan – Kishanganj transmission line associated with the 1,200 MW Teesta-III Hydro Electric Power Project in North Sikkim, with 26% shareholding by us and 74% shareholding by Teesta Urja Limited. The expected date of commencement of commercial operations is March 2012; and

(vi) North East Transmission Company Limited, incorporated to develop the 400kV D/C Palatana – Silchar – Bongaigoan transmission line associated with the 726 MW gas-based power project at Pallatana in Tripura, with 26% shareholding by us, 10% shareholding each by the Governments of Tripura and Mizoram, 6% shareholding by Government of Manipur, 13% shareholding by Assam Electricity Generation Company Limited and 35% shareholding by ONGC Tripura Power Project Company Limited. The expected date of commencement of commercial operations is November 2011.

We are also involved as equal equity joint venture partners with NTPC Limited, NHPC Limited and Damodar Valley Corporation in the incorporation of National High Power Test Laboratory Private Limited which will establish an on-line high power test laboratory to undertake a full range of short circuit testing. We have also entered into a joint venture agreement with NTPC Limited, Power Finance Corporation Limited and Rural Electrification Corporation Limited ("**REC**") in the incorporation of Energy Efficiency Services Limited, which will undertake the implementation of energy-conservation projects for businesses involved in climate change management, energy efficiency and energy conservation, and in which we have a 25% interest. Additionally we were also involved as equal equity joint venture partners with Infrastructure Leasing & Financial Services Limited in the incorporation of Powergrid IL&FS Transmission Private Limited which would have undertaken the development of transmission/sub-transmission projects, and transmission system with neighbouring countries outside India as well as SPUs within India. Presently, however, we have filed an application with the RoC for the declaration of Powergrid IL&FS Transmission Private Limited as a defunct company.

For more details on our joint ventures, see "***History and Certain Corporate Matters — Our Joint Ventures***" on page 138.

Transmission Project Implementation

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

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

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

Planning and Conceptualization

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

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

Our transmission projects fall into the following broad categories:

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

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

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

Capital Expenditure and Investment Approvals

As a "Navratna" company, the Board of Directors has the power to approve capital expenditures without any ceiling for our projects.

The Board of Directors also has the power to establish joint ventures and wholly-owned subsidiaries in India or abroad, with a ceiling on equity investment in individual projects of 15% of our net worth, up to ₹ 10 billion, and an overall ceiling on all such projects which cannot exceed 30% of our net worth.

Design and Engineering

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

We are also finalizing, in association with a number of international consultants, the design and technical specifications for an 1,200 kV S/C (single circuit) transmission line. Our in-house design and engineering team has developed transmission line parameters and tower designs and three 1,200 kV S/C towers have been successfully tested in March of this year.

Procurement process and award of contracts

For procurement, a transmission project is divided into a number of well defined packages for which contracts are awarded on a competitive bidding basis: we typically enter into separate EPC contracts for tower erection and stringing of power lines and for substation construction, respectively, and we procure from vendors and supply to our EPC contractors the necessary conductors and insulators for transmission lines and transformers and reactors for substations. Qualifying requirements for bidders are stipulated and the bids are evaluated by a tender committee. Award recommendations are put up for approval to the appropriate authorities consistent with the applicable delegation of powers in our Company. The highest authority for the approval of any award recommendation is our Board of Directors. In the case of contracts funded by multilateral agencies, the award recommendations are also sent to them to confirm that they have "no objection."

The procurement process is based on our works and procurement policy and procedures, which we publicize to improve transparency and consistency. We also take into consideration applicable guidelines of concerned multilateral funding agencies such as the World Bank and the Asian Development Bank that may be financing a transmission project; and guidelines or similar terms set out in any applicable loan agreement. Because we are a public sector enterprise, the Comptroller and Auditor General of India and the Central Vigilance Commission of the GoI review our procurement process.

Detailed engineering

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

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

Quality assurance and inspection

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

We are certified for PAS 99:2006, which integrates the requirement of ISO 9001:2008 for quality, ISO 14001:2004 for environment management and OHSAS 18001:2007 for occupational health and safety management systems. We have been certified for compliance to these standards and specifications by BSI Management Systems until June 2013. We were also accredited with SA 8000:2008 for social accountability for all our facilities and with ISO 9001:2008 for all our RLDCs during Fiscal 2010 by BSI Management Systems.

Project monitoring

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

Our Transmission Customers

Connecting Customers

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

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

When we receive an application for connection and use of the ISTS from any of the above customers, we assess whether existing transmission assets are adequate for their plans or whether the addition or augmentation of transmission assets will be required. We respond as necessary with lists of additions or augmentations of transmission assets that would be required to provide connection to the ISTS. Customers pay transmission charges in respect of their connection, as more fully described below.

Long Term Transmission Agreements

We enter into a standardised agreement with each customer for long term transmission arrangements that we refer to as the Bulk Power Transmission Agreement ("**BPTA**"). We enter into BPTAs with each of our regional constituent customers (usually SPUs) for transmission of power from central sector generating stations through identified transmission assets. For generation-linked transmission systems, we typically enter into BPTAs with the beneficiaries of the generation. Where the beneficiaries are yet to be identified, we typically enter into BPTAs with generation companies.

Under the BPTA, we are required to maintain the transmission assets as per the guidelines issued by the Regional Power Committees and the RLDCs. The BPTA stipulates various terms and conditions for the payment of charges, billings and payments and energy accounting, as well as other obligations of the parties. Sharing of monthly transmission charges among various customers is made on the basis of notifications issued by the CERC from time to time. The BPTA also establishes mechanisms to ensure payment of transmission charges by our customers including opening of letters of credit by the customers. In the event our customers fail to pay the transmission charges, we have the right to discontinue or regulate power supply to such customers, subject to guidelines issued by the CERC.

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

State Power Utilities

The SPUs are our major customers. The SPUs include SEBs as well as the entities that have been created by the unbundling of certain SEBs. In accordance with the terms of allocation letters issued by the GoI, we are obliged to undertake the transmission of electricity to SPUs from Central Sector generation stations through our transmission system.

Pursuant to the "One Time Settlement" in Fiscal 2003, the GoI, on behalf of the central sector power utilities ("**CSPU**"), including our Company, executed Tripartite Agreements with the RBI and the respective state governments, in order to effectuate a settlement of overdue payments owed to the central state power utilities by the SEBs. Under the Tripartite Agreements, each SEB (and, in the case of SEBs that have been unbundled, each of their successor entities) is required to establish and maintain a letter of credit in our favour with a commercial bank. The letter of credit is required to cover 105% of the preceding twelve months' average monthly billing and is required to be updated twice every year. If the letter of credit for the required amount is not in place, we have the right to regulate the power supply to the concerned SEB as per the provisions of the Tripartite Agreements and provisions set out by CERC. For more details on the provisions of the Tripartite Agreements see "***Management's Discussion and Analysis of Financial Condition and Results of Operations — Transmission Charges***" on page 263.

Tariff Mechanism

Tariff Regulations

Under the Electricity Act the GoI has the power to issue tariff policy and CERC formulates and notifies transmission tariff regulations for transmission licensees, guided by the tariff policy and the provisions of the Electricity Act. CERC has issued regulations setting forth the parameters for determination of tariffs for generation and transmission projects. We are permitted to charge our customers within the parameters set forth in specific tariffs applicable to our network.

Tariff Determination Process

Pursuant to the Electricity Act and CERC regulations, a transmission licensee such as our Company will seek from CERC a tariff determination in respect to each of its transmission projects. According to CERC regulations, the tariff will be set at a level intended to compensate the licensee for the construction of the transmission project and for operating the project thereafter. The tariff is determined based on the capital expenditure incurred or projected during the given tariff period. The CERC carries out a truing up exercise for the previous tariff period when it considers the tariff petition filed for the next tariff period.

The tariff is determined by a transparent public process and CERC is bound to follow established procedures. Interested parties can challenge the level of tariff we seek. Presently, the tariff norms notified by CERC are applicable for a period of five years with effect from April 1, 2009. Tariffs determined in relation to a particular project are expected to be reviewed on or before the end of the current tariff block on March 31, 2014.

Tariff Structure for Fiscal 2010-2014

AFC

Pursuant to the Fiscal 2010-2014 Regulations, CERC permits us to charge our customers transmission charges for the recovery of annual fixed cost ("**AFC**"). The AFC is set at a level which generally compensates us for the cost of the project and allows us to recover a pre-determined return on equity, interest on outstanding debt, compensation for operations and maintenance expenditure, depreciation and interest on working capital. The AFC norms in the Fiscal 2010-2014 Regulations cover, among other items:

- Return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the normal tax rate as applicable for the respective year. For projects commissioned on or after April 1, 2009, there is an additional return of 0.5% if the new projects are completed within the timeline specified in the Fiscal 2010-2014 Regulations.

- Interest on outstanding debt.

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

  - Projects under commercial operation prior to April 1, 2009: The debt-equity ratio for such a project is considered to be equal to the debt- equity ratio as was determined by CERC on March 31, 2009.

  - Projects under commercial operation on or after April 1, 2009: The debt-equity ratio for such projects is considered to be 70:30. If the equity deployed is less than 30%, the actual debt-equity ratio is used for the purposes of determining the tariff. If the equity deployed is greater than 30%, the equity component is restricted to 30% of the total project cost. As such, the return on the excess equity can be recovered on the same basis as the recovery on the debt component.

- Depreciation is charged on the straight line method based on the rates prescribed by CERC and not on the rates prescribed in the Companies Act. Recovery of depreciation up to 90% of capital costs, excluding the cost of freehold land (that is not depreciable) is allowed. In the initial 12 year period from the date of commencement of commercial operation of the project, depreciation is recovered based on the rates prescribed in the regulations. The remaining depreciable value thereafter is spread over the balance useful life of the assets.

- Operation and maintenance expenditure is based on the number of kilometers of transmission lines and the number of bays in substations multiplied by normative rates specified in the Fiscal 2010-2014 Regulations. The operation and maintenance norms for HVDC stations have been specified separately.

- Interest on working capital. Working capital consists of (i) operation and maintenance expenditure for one month (normative rates specified in the Fiscal 2010-2014 Regulations),

(ii) an amount for maintenance spares (at 15% of operation and maintenance expenditure) and (iii) receivables equivalent to two months' of fixed cost. The rate of interest on working capital is equivalent to the prime lending rate of the State Bank of India as on the first day of the fiscal year in which the project is declared to be under commercial operation; for projects already under commercial operation at the time of commencement of the current block period, the rate will be based on the rate on the first day of the current block period, which is currently April 1, 2009.

Transmission Charges

- The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof is not based on volume of power transferred but rather on system availability, as per the following:

  AFC x (NDM / NDY) x (TAFM / NATAF)

  Where:
  - AFC = Annual fixed cost specified for the year, in Rupees
  - NATAF = Normative annual transmission availability factor, in per cent
  - NDM = Number of days in the month
  - NDY = Number of days in the year
  - TAFM = Transmission system availability factor for the month, in per cent.

- The NATAF is 98% in respect of alternating current systems, 95% in respect of HVDC back-to-back stations systems and 92% in respect of HVDC bi-pole links. We are incentivized or penalised if the availability of our network is above or below 98%, 95% or 92%, respectively. These availability incentives are now linked with monthly transmission charges as compared to being linked to equity in the manner provided for in the tariff regulations for Fiscal 2004-2009 ("**Fiscal 2004-2009 Regulations**").

- Transmission elements are considered available for purposes of calculating the TAFM when shut down for reasonable periods for maintenance, for construction of elements of another transmission system and to restrict over voltage and manual tripping of switched reactors at the direction of an RLDC. Outage of transmission elements for force majeure events and for grid disturbances or failures not attributable to the transmission licensee are excluded from the potential available time of a transmission element for purposes of calculating the TAFM. The TAFM is calculated by different formulas for AC and HVDC systems .

- Customers can obtain a rebate on their charges by making timely payments, and may face late payment surcharges if their payments are delayed.

- Transmission charges corresponding to any plant capacity for which a beneficiary has not been identified and contracted are payable by the concerned generating company.

- We are paid transmission charges only after the commencement of commercial operation of a transmission project. If a new transmission project is linked to a new generation project, and the generation project is delayed, the commencement of commercial operation of the new transmission project is necessarily postponed. Under the Tariff Regulations, if we demonstrate to CERC that the transmission system is ready for regular service but is so prevented for reasons not attributable to our Company, our contractors or our suppliers, then CERC may approve a date of commencement of commercial operation prior to the transmission project coming into regular service. For example, by its order dated September 24, 2010, CERC approved a date of commercial operation for a part of our Kudunkulum transmission system in the Southern Region, prior to its entering regular service, due to the delay caused by the postponed commissioning of the associated Kudunkulum atomic power project.

- Foreign Exchange Rate Variation ("**FERV**")

- We may recover the cost of hedging interest on and repayment of foreign currency loans and exchange rate fluctuations for unhedged interest on and repayment of foreign currency loans on a normative basis. If hedging of foreign exchange exposure is not undertaken, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year is permissible provided it is not attributable to or its suppliers or contractors. We currently do not undertake any hedging against interest rate fluctuation.

- Clean Development Mechanism ("**CDM**")

- We are permitted to share the proceeds of carbon credits generated from transmission projects approved as CDM projects with the beneficiaries of the transmission projects. In the first year after the date of commercial operation of the transmission system we retain 100% of the gross proceeds on account of CDM. In the second year, the beneficiaries' share is 10%. The beneficiaries' share increases progressively by 10% every year until it reaches 50%, whereafter the proceeds shall be shared in equal proportion by our Company and the beneficiaries.

- Sharing of Transmission Charges

Under the current mechanism for the sharing of transmission charges, pooled regional transmission charges are shared by the regional beneficiaries in proportion to the sum of their respective generation entitlements (in MW). Transmission charges for inter-regional links are shared in a ratio by the concerned regions as specified by CERC.

Transmission charges for 400 / 220 kV step down transformers and downstream systems, under inter-state transmission schemes brought under commercial operation after March 28, 2008 are payable only by the beneficiary directly served.

Transmission charges associated with transmission systems which are not pooled with the regional transmission system are shared by the beneficiaries of the concerned generating stations or the generating company. Transmission charges corresponding to any generation plant capacity for which a beneficiary has not been identified and contracted are paid by the concerned generating company.

CERC framed the *(Sharing of Inter State Transmission Charges and Losses) Regulations, 2010* on June 15, 2010. These regulations will come into force on January 1, 2011 for a period of five years and will implement a "point of connection" method of sharing the transmission charges of inter-state transmission systems in India, replacing the present system of regional postage stamps. These regulations provide that the yearly transmission charges, revenue requirement on account of FERV, changes in interest rates and losses will be shared amongst the users, including larger generating stations, SEBs, STUs connected with ISTS, any bulk consumer directly connected with the ISTS and any entity representing a physically-connected entity listed above. All users will be default signatories to the Transmission Service Agreement, which also requires these users to pay the point of connection charge, which covers the revenue of transmission licensees. The point of connection tariffs are based on load flow analysis and capture utilization of each network element by the users. The regulations also provide mechanisms for billing, collection and other commercial matters.

Historical Tariff Structure for Fiscal 2005-2009

From April 1, 2004 to March 31, 2009, our tariffs were determined pursuant to applicable CERC's tariff regulations for this period. CERC established an annual transmission service charge ("**ATC**") that was levied in the relevant region each year for a predetermined block of time based on a cost-plus-tariff based system. The ATC was set at a level which generally compensated the licensee for the cost of the project and allowed the licensee to recover a pre-determined return on equity, cost of debt service, compensation for operations and maintenance, depreciation, advance against depreciation and interest on working capital. The Fiscal 2005-2009 ATC norms covered, among other items:

- Actual capital expenditure up to the date of commencement of commercial operation. Capital expenditure incurred subsequently was also eligible, subject to a check for prudence by CERC;

- Return on equity of 14% on the equity component of the investment in the project;

- Interest on outstanding debt;

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

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

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

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

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

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

- One tenth of the original loan amount minus depreciation charged during that particular year

- Operation and maintenance expenditure was based on the number of circuit kilometers of transmission lines and the number of bays in substations multiplied by normative rates specified in the Fiscal 2004-2009 Regulations.

- Interest on working capital. Working capital consists of (i) operation and maintenance expenditure for one month, (ii) an amount for maintenance spares (1% of the total gross block on the date of commercial operation of the asset) and (iii) receivables equivalent to two months' average billing calculated on a normative availability level. The rate of interest on working capital was equivalent to the prime lending rate of the State Bank of India as on the first day of the fiscal year in which the project was declared to be under commercial operation; for projects already under commercial operation at the time of commencement of the Fiscal 2004-2009 block period, the rate was to be based on the rate on the first day of the current block period, which was April 1, 2004.

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

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

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

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

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

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

Our customers could save on their charges by making timely payments, and may have faced late charges if their payments were delayed.

- Sharing of Transmission Charges

The ATC was recoverable based on the prescribed target availability of transmission lines. Transmission charges are billed monthly. The mechanism for sharing ATC has been laid out by CERC in its tariff norms issued on March 26, 2004 and subsequent amendments thereto. The mechanism will be in effect until December 2010. It broadly comprises the following:

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

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

  - For a customer having capacity allocation directly from a central generating station located in another region, allocation of the ATC is in proportion to its allocated share in the total capacity for such project;
  - After deducting the ATC allocated to customers (as described above), the balance of the ATC (net of adjustments for the recovery of transmission charges under the open access system) is shared between the two concerned regions for the project equally. Such charges, as allocated to a region, are shared by long-term transmission customers in the region to cover the costs of reliability support in proportion of their respective allocated capacity of the regional transmission system.
  - From April 1, 2008 to December 31, 2010, transmission charges for lines emanating from the Eastern Region are 100% recovered from the other region with the exception of lines between the Eastern Region and North Eastern Region.

Our Other Roles in Transmission

As the CTU, we participate in the following activities:

- Undertaking the transmission of electricity through the ISTS;

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

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

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

Open Access

The Electricity Act requires our Company, as CTU, the STUs and other licensees to provide non-discriminatory open access to their respective transmission or distribution systems in order to allow the use of transmission lines, distribution systems or associated facilities by any licensee or consumer or person engaged in generation.

CERC has issued regulations relating to open access in inter-state transmission and related matters and our Company, as CTU, oversees the procedure for implementing these regulations including formulating detailed procedures to facilitate the open access of the ISTS. Under CERC regulations, access is provided by way of short term open access, medium term open access or long term access.

Connectivity

"Connectivity" refers to the state of being connected to the ISTS by a generating station, a captive generating plant, a bulk consumer or an inter-state transmission licensee. A customer can apply to us as CTU for connectivity of ISTS. On receipt of the application, we process the application, in consultation and coordination with other agencies involved in the ISTS to be used, including the STUs. While granting connectivity, the name of the sub-station where connectivity is to occur, the method of connectivity and, if applicable, the dedicated transmission system are specified. Subsequently the applicant is be required to sign a connection agreement.

Thermal generating stations of 500 MW and greater and hydro generating stations or a generating station using renewable sources of energy of capacity of 250 MW and greater, other than captive generating plants, are not required to construct dedicated lines to the point of connection and such stations are taken into account for coordinated transmission planning by the CTU and CEA. In all the cases where dedicated transmission system up to point of connection are to be undertaken by the CTU, the applicant, after the grant of connectivity, signs a transmission agreement and furnishes a bank guarantee for the dedicated line. The time frame for commissioning of dedicated transmission systems from the signing of a BPTA or transmission agreement is nine months in addition to the time lines as specified by CERC in tariff regulations or actual date of commissioning.

The grant of connectivity does not entitle an applicant to interchange any power with the grid unless it obtains long-term access, medium-term open access or short-term open access. Therefore, no tariff is charged for connection except for a dedicated transmission system.

Short Term Open Access

We have successfully issued procedures and guidelines to facilitate short term open access and are responsible for the ongoing operation of the short term open access system. Pursuant to these procedures, the nodal RLDC is entrusted with the responsibility of short term open access application processing and scheduling, while making sure that the provision of short term open access applied for will not affect the security of the grid.

As RLDC and NLDC, we have been charging short term open access customers a fee for the scheduling of their access through the relevant load despatch centers. All bilateral transactions are undertaken through the RLDCs, while transactions facilitated by the power exchanges are undertaken by NLDC. These charges include application money and scheduling charges for each transaction and the total charges are dependant on the volume of transactions undertaken. This income is over and above the CERC determined fees and charges of the RLDCs and NLDC. Our transmission income from short term open access was ₹ 1,241.8 million and ₹ 1,088.4 million in Fiscal 2010 and the six month period ending September 30, 2010, respectively, or 1.7% and 2.6% of our total revenue from operations. The charges earned by RLDC and NLDC for providing short term open access amounted to ₹ 251.9 million and ₹ 129.9 million in Fiscal 2010 and the six month period ending September 30, 2010, respectively, or 6.7% and 6.2% of our other income.

Merchant power plants and around one hundred captive power plants across the country have taken advantage of short-term open access. Under open access, more than 18,244 transactions were approved during Fiscal 2010 involving about 39,500 MUs of energy. Since the introduction of short-term open access in inter-state transmission in May 2004, more than 40,000 bilateral transactions have taken place and more than 152,500 MUs have been exchanged. As defined under the CERC regulations, short term access is available for up to 3 months.

Medium Term Open Access

"Medium term open access" means the right to use the ISTS for a period between 3 months and 3 years. Application for medium term open access is made to us as CTU and may be made by a generation station, including a captive generating plant, a consumer, an electricity trader, distribution licensee, or a state government.

Medium term open access is to be granted if the resulting power flow can be accommodated in the existing transmission system or in a transmission system under execution, as the case may be. Augmentation is not to be carried out to the transmission system for the sole purpose of granting medium term open access. After consideration of the application and studies, the CTU may grant or reject an application or reduce the time period or the amount of power requested in the application. After the grant of medium term open access, an applicant is to sign an agreement for sharing the transmission charges that will form a part of the medium term open access agreement. After signing the medium term open access agreement, the applicant submits a bank guarantee to the CTU equivalent to the estimated transmission charges of two months.

Long Term Access

"Long-term access" means the right to use the ISTS for a period of 12 to 25 years. Pursuant to CERC mandates, we are responsible for the management of the long term access system for inter-state transmission. A customer can apply for long term access to the CTU. We review applications from long term access customers, generally IPPs, and carry out system studies to ascertain whether the long term access be immediately implemented or whether additional system strengthening is required. In cases where system strengthening is required, we consider the additional transmission elements necessary for the customer to access the system and the proposal is discussed and formalized in the regional transmission planning forum and RPC of the concerned region(s). Our goal under the long term access system is to evolve the optimal national transmission system while keeping in mind the existing and predicted transmission system, relevant time frames and available information of the power system. Once the application is granted long term access, we enter into a BPTA with the beneficiaries. If the eventual beneficiaries are not known at the time the application is granted, we enter into the BPTA by the applicant until the beneficiaries are finalized.

In the event that augmentation of the transmission system is to be undertaken, the applicant submits a construction phase bank guarantee as specified in the CERC regulation. As specified in the terms and conditions of the CERC regulation, it takes about nine months for pre-investment activities in addition to construction time for the completion of the transmission project.

As part of our mandate as CTU to facilitate the implementation of non-discriminatory long term access to customers across the country, on May 31, 2010, the CERC accorded regulatory approval to us to proceed with the execution of nine high capacity transmission corridors, with HVDC links/765 kV UHVAC lines, across the country. We have begun the tender process for these projects. The CERC will later prescribe power transmission charges to allow us to recover our costs.

Grid Management and Load Despatch Function

A crucial aspect of the operation of an electric power system is the management of load despatch in real time with reliability and security on an economical basis. In Fiscal 2009, we established the National Load Despatch Center. The NLDC is responsible for monitoring the operations and grid security of the National Grid and supervises the scheduling and despatch of electricity over inter-regional lines in coordination with the RLDCs. Our wholly-owned subsidiary, POSOCO, was established in March 2009 to oversee the grid management function of our operations. POSOCO received a certificate of commencement of business in March 2010, and we are in the process of transferring the movable assets of our power system operations segment it. Further, we modernised the five RLDCs and state load despatch centers and their communication networks, down to the level of individual substations.

Based on the declared capacity of interstate generating stations and the entitlements of states/ beneficiaries, daily generation schedules are prepared. Deviations from these schedules by either generators or customers attract Unschedule Interchange ("**UI**") charges. Under regulations notified by CERC, the RLDCs maintain and operate a "Regional UI Pool Account" for settlement of UI payments. Generators or customers drawing above the generation schedules make payments into the Pool Account and the payments are distributed to generators or customers drawing below the generation schedules. The payments are made on a pro rata basis from the available balance in the Pool Account. The liability of the RLDCs is limited to the amounts realized.

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

We earn fees and charges determined by CERC regulations. The fees and charges are paid by all inter-state generating stations and sellers, distribution licensees, buyers and transmission licensees. The fees and charges are determined on a cost plus basis and include a component of a fixed return on equity, employee costs, other operating costs and finance charges. The NLDC charges are apportioned to the five RLDCs which in turn bill these charges to the users.

Role in Distribution and Rural Electrification

In general, "distribution" refers to the movement of electric power after it leaves transmission and moves downstream towards individual consumers. The electric power distribution system in many parts of India is in need of modernisation in addition to capacity expansion and sectoral reform, especially in certain rural pockets of India where the system is being developed. The GoI has taken a number of initiatives to improve electric power distribution in general and rural electrification, in particular. The distribution strengthening schemes in urban and semi-urban areas were taken up under APDRP during Xth Plan (designated as R-APDRP during XIth Plan). Rural electrification was taken up by GOI under the RGGVY in March 2005.

Under the APDRP, we were appointed as an Advisor-cum-Consultant and in that role we assisted the Ministry of Power in monitoring the development of electricity distribution schemes covering urban and semi-urban areas spread over 18 states. We undertook the implementation of distribution improvement schemes in the states of Bihar, Uttar Pradesh, Goa, Gujarat, Tripura and Meghalaya on a deposit work basis. We implemented these schemes by following a process that included design, engineering, awarding of contracts, inspection and monitoring, which paralleled the process of our own transmission projects. Our participation in APDRP concluded in March 2009.

Under the RGGVY, we provide on behalf of state utilities electricity infrastructure to un-electrified and partially electrified villages along with free electricity service connections to households identified as falling below the poverty line. We have entered into quadripartite agreements involving the respective state government, SEB or DISCOM and the REC, to implement rural electrification projects on behalf of distribution utilities in the states of Bihar, Uttar Pradesh, West Bengal, Gujarat, Rajasthan, Orissa, Assam, Tripura and Chhattisgarh. These projects entail the progressive provision of infrastructure for approximately 71,450 villages in 65 districts. During Fiscal 2010, infrastructure was created for electrification in approximately 3,400 un-electrified villages against a target of 3,100 villages and service connections were provided to approximately 687,000 households identified as falling below the poverty line against a target of 600,000. As at September 30, 2010, electricity infrastructure had been established in approximately 43,850 villages in Bihar, Uttar Pradesh, West Bengal, Gujarat, Rajasthan, Orissa, Assam, Tripura and Chhattisgarh along with free electricity service connections to approximately 2.11 million households identified as falling below the poverty line.

The GoI, state governments and state utilities finance the projects. We are paid for our services under each programme, but we do not make our own investments in any of these schemes or projects. Where we implement a scheme or project, we are typically paid an amount covering the entire project cost plus an additional amount as a fee. The turnkey contractors and others who contribute to the implementation of the scheme or project are paid out of the funds received.

Our Other Businesses

Consultancy

Since Fiscal 1995, our company has provided consulting services in the transmission and distribution sector, including in grid management and capacity building, and in the telecom services to over 115 clients in over 330 domestic and international projects. As at September 30, 2010, we were engaged in providing consultancy services to our clients in 75 domestic and international projects.

We secure our consultancy assignments through bidding processes, from direct marketing and from potential clients approaching us. We believe our in-house expertise in a wide variety of fields in the power sector allows us to obtain assignments at the domestic and international level. We staff our assignments with teams of specialists from throughout our organisation. Employees take on consulting duties that fit within the areas of expertise they have developed by working in our core business. A central department at our corporate office coordinates, facilitates and supports service delivery.

Our domestic clients include almost all of the SPUs in India and NTPC Limited along with a number of private utilities including GMR Group Energy Sector Companies, Adani Power Limited, Jindal Power Limited, Jaiprakash Power Ventures Limited, EPTCL-Transmission Business and Lanco Power Limited.

We have undertaken and are currently undertaking international transmission, grid management and telecom consultancy assignments in Afghanistan, Bangladesh, Sri Lanka, Bhutan, Nepal, United Arab Emirates and Nigeria. We are particularly proud to have been associated with the construction of the 220/110/20 kV Chimtala substation and the Pul-e-Khumri - Kabul 220 kV Double circuit transmission line in Kabul, Afghanistan, that was completed by us pursuant to a consultancy assignment from the GoI, and was inaugurated in May 2009. This project was completed in testing terrain at altitudes ranging from 1,800 meters above sea level to more than 4,000 meters above sea level in temperatures as low as -30 degrees Celsius. With the commissioning of the Chimtala substation and associated transmission system, Kabul started receiving approximately 150 MW of power from neighbouring Uzbekistan. This was one of the largest infrastructure projects ever undertaken in Afghanistan and allows the residents of Kabul to enjoy the benefits of a stable source of electricity.

Our assignments tend to fall into one of three broad categories:

- Electricity distribution strengthening schemes and rural electrification;
- The execution of transmission- and communication system-related projects on a turnkey basis; and
- Engineering consulting assignments for Indian utilities and utilities in other countries.

We have also participated in the competitive bidding process for feasibility studies, engineering consultancy, project management, capacity-building and EPC projects funded by ADB, the World Bank and other multilateral funding agencies and have also jointly submitted tenders with Simplex Infrastructures Limited and other well known companies. In addition, we have submitted expressions of interest and prequalification documents to clients in various countries including Kenya, Ethiopia, Uganda, Rwanda, Benin, Ghana, Togo, Botswana, Oman, Qatar, Jordan, Yemen, Kazakhstan, Tajikistan, Uzbekistan, Armenia, Georgia, Ukraine, Kuwait, Nepal, Sri Lanka, Bhutan, Laos and Bangladesh to participate in international competitive bidding for feasibility studies, engineering consultancy, capacity-building and EPC projects.

We are paid part of our project cost or consultancy fee as an advance and the balance either in milestone-based payments or in regular periodic payments upon our raising of the invoice. In Fiscal 2010, our income from our consultancy business was ₹ 2,691.7 million. In the six months ended September 30, 2010, income from our consultancy business was ₹ 1,519.5 million. We believe that we provide a high level of customer satisfaction in respect of our consultancy services evidenced by the fact we secured 19 repeat orders in Fiscal 2010 for consultancy services from customers who had used our services in Fiscal 2009 or Fiscal 2010.

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

The following table sets forth certain information in respect of a selection of our significant domestic and international consultancy projects:

Project	Year Engaged
Completed Domestic	
Consultancy services for design, manufacture, testing, supply, erection and commissioning of 2 x 150 MVA 220/66kV GIS at East Division Compound, Bangalore	Fiscal 2006
Turnkey execution of transmission system associated with Bhilai Expansion Power Project (open access portion)	Fiscal 2006
Turnkey execution of stringing a second circuit of 220kV line from Nalagarh to Manimajra on the existing 220kV D/C towers	Fiscal 2007
Procurement of polymer insulators for replacement of existing conventional ceramic insulators of 400 kV D/C Ring Main around Delhi	Fiscal 2009
Providing tower and foundation drawings for 765 kV SC transmission lines	Fiscal 2010
Strengthening of sub-transmission scheme in Bihar under Phase I	Fiscal 2004
Completed International	
Consultancy Services (tender evaluation and construction supervision) for power transmission and distribution project in Afghanistan funded by Asian Development Bank	Fiscal 2007
Stringing OPGW on transmission lines from Thimphu to Phuentsholing, Chumdo to Paro in Bhutan	Fiscal 2003
Stringing OPGW on transmission lines from the Tala Hydroelectric Project to the India-Bhutan border	Fiscal 2004
Detailed project report for evacuation of power from the West Seti Hydro Project in Nepal	Fiscal 2006
Pre-feasibility studies for interconnection between India, Sri Lanka and Bangladesh	Fiscal 2007
Ongoing Domestic	
Turnkey Execution of 400 kV D/C Transmission System from Pallatana (Tripura) to 400 kV Powergrid Station at Bongagoan	Fiscal 2007
Turnkey execution of 400 kV D/C Transmission Line totalling 400 ckm and four 400/200 kV substations	Fiscal 2010
Turnkey construction of six 132/33kV sub-stations, four 132 kV bays and the associated 132kV transmission lines	Fiscal 2009
Turnkey execution of LILO of one circuit of 400 kV D/C Silchar – Bongaigaon line and 400/220 kV, 2 x 315 MVA substation at Byrnihat	Fiscal 2009
Upgrade of load despatch system in Orissa	Fiscal 2010
Strengthening of sub-transmission scheme in Bihar under Phase II	Fiscal 2007
Ongoing International	
Turnkey execution of 220 kV D/C Kabul to Phul-e –Khumri transmission line and substation at Kabul	Fiscal 2006
Consultancy services for 400kV gas insulated substation and associated transmission lines.	Fiscal 2008
Consultancy services for the Bangladesh segment of the Indo-Bangladesh Interconnection	Fiscal 2011
Consultancy for Design and Construction of Punatshangchhu-I 400kV D/C Transmission Lines	Fiscal 2010
Providing operations and maintenance training to DA Afghanistan Breshna Sherket engineers and technicians	Fiscal 2007

Telecommunication

We have diversified into the telecommunications infrastructure business, utilising our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire ("**OPGW**") on our power transmission lines. As at September 30, 2010, the telecommunications network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. The availability of our telecommunications backbone network has been consistently maintained at 99.9% during Fiscal 2010. Our system offers a number of advantages over a typical underground optic fibre networks, being secure and free from rodent menace and vandalism.

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

We have been granted Infrastructure Provider - I registration to construct infrastructure assets such as dark fibre, right of way, duct space and towers on November 7, 2002; Internet Service Provider Category - A licence to provide internet services on May 29, 2003 and a National Long Distance License to provide end to end bandwidth services on July 5, 2006. Our network deploys a 32 wavelength dense wavelength division multiplexing (DWDM) system and connects the metropolitan areas and remote locations in North East and Jammu and Kashmir. The balance of the network utilises SDH (STM 16/STM 4) systems. The following services are available on our network:

- E1/E3/DS3/STM1/STM4/STM16 Leased Line;
- Ethernet Private Leased Line;
- Multi-site LAN Interconnect plus Internet Access; and
- Internet bandwidth.

Our telecom customers lease point-to-point bandwidth on our telecom network pursuant to capacity agreements that are essentially service agreements. The term of such agreements vary from a period of three months to 15 years with provisions for extension on mutually agreed terms and conditions. The tariffs for these customers are as per TRAI notified rates with appropriate industry prevalent discounts. We have been leasing bandwidth on this network to more than 70 customers, including Bharti Airtel Limited, Bharat Sanchar Nigam Limited, National Informatics Centre, Dishnet Wireless Limited and Tata Communications Limited.

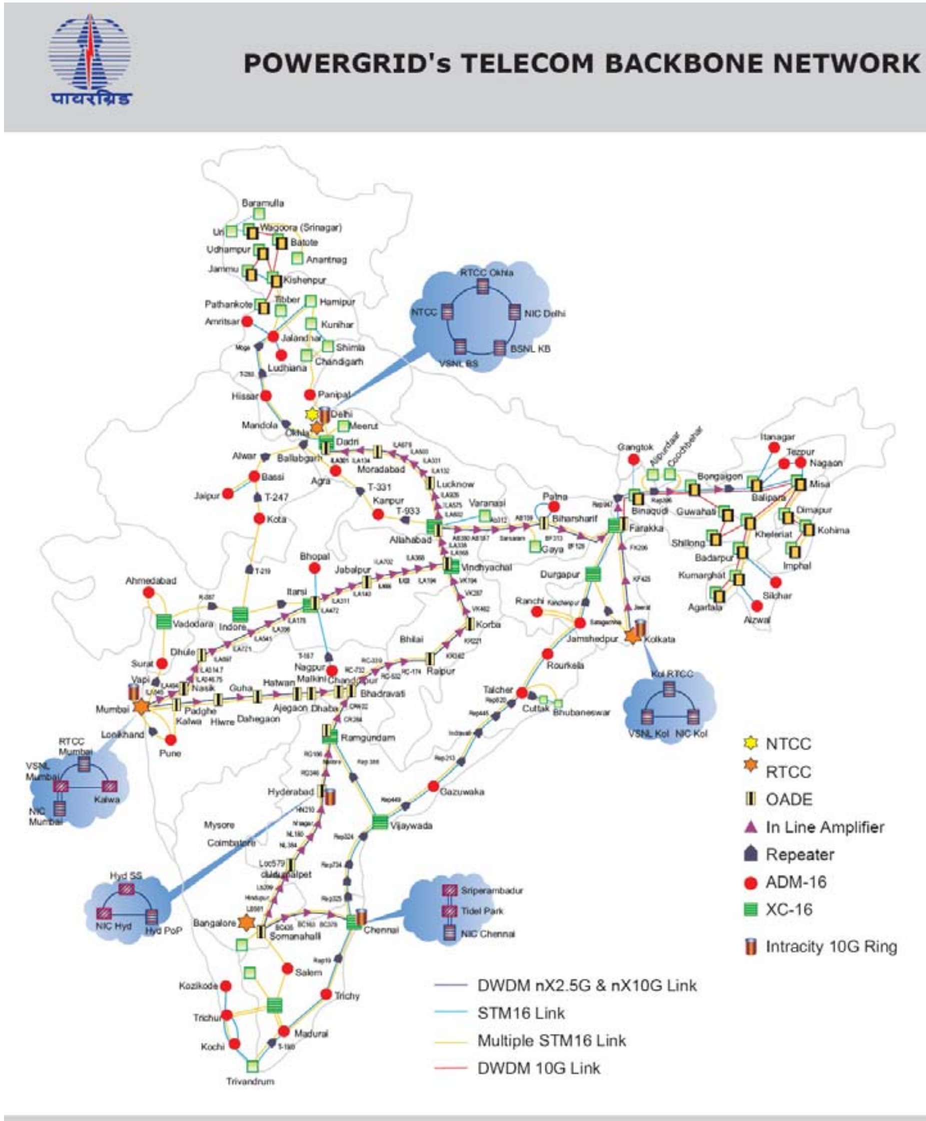
We seek to provide high reliability, high quality telecommunication services in a cost effective manner to end-user customers. In Fiscal 2010, revenue from our telecommunication business was ₹ 1,577.2 million. As at September 30, 2010, revenue from our telecommunications business was ₹ 893.7 million. Pursuant to CERC regulations concerning the use of transmission assets for other businesses, we are required to share with the beneficiary a fee of ₹ 3,000 per year per kilometer of OPGW on our power transmission lines.

We signed an agreement on September 16, 2010 with the National Informatics Centre and National Informatics Centre Services Inc. to be a serviced partner for the National Knowledge Network ("**NKN**"). NKN was approved in March, 2010 by the Cabinet Committee on Infrastructure. The NKN is intended to connect approximately 1,500 educational, government, agricultural, health care and research institutions by way of a high speed, reliable and secure data communication network in order to encourage sharing of knowledge, specialized resources and collaborative research. We currently expect revenue of approximately ₹ 9,000 million over a period of ten years following completion of the project.

We plan to expand and further diversify our telecom network, including the addition of value added services such as MPLS-VPN. We have invited bids from vendors to establish a MPLS system on our network.

With the focus now shifting from urban to rural connectivity, we see our role in the telecommunications arena becoming even more significant as our presence in rural and remote areas of the country as our power transmission network can be leveraged to provide telecom services in such areas by co-locating wireless antennas on our tower infrastructure. As such, our board has approved a plan to diversify into the business of leasing our tower infrastructure to independent tower firms and telecommunications service providers. We appointed a consultant to prepare the details of a financial feasibility study and draft agreements that will facilitate infrastructure sharing agreements and other tie ups with independent tower firms and telecommunications service providers. Based on a sample of 15,000 of our approximately 100,000 towers in operation, the report prepared by our consultant estimates that 10-15% of our towers are capable of carrying high voltage current and telecommunication signals together without interference. We also carried out a collaborative study at Ballabgarh, Haryana for installation of antennas on our transmission towers to test suitability and found there was no interference. We are carrying out a pilot leasing project in collaboration with a service provider in the Gangtok area. The pilot project has been in operation for over a year. We have floated tenders for the selection of telecom tower infrastructure providers for utilising our transmission towers in the states of Punjab Haryana, Himachal Pradesh and Jammu and Kashmir. We are not yet aware of whether or to what extent we will share revenue derived from co-locating wireless antennas on our tower infrastructure with CERC under the regulations concerning the use of transmission assets for other businesses.

A map of our telecom backbone network is set forth below:



RESEARCH AND DEVELOPMENT

We engage in continuous research and development to improve the performance of our transmission system, optimise costs and incorporate new technologies. Liberalisation of the power transmission industry and globalisation have led to greater competition from both domestic as well as international companies, which has reinforced the need to upgrade our technology to ensure high levels of competitiveness and to be able to offer contemporary levels of technology. In order to meet these objectives, we undertake R&D activities through mix of in-house activity and project-managed, outsourced joint venture activity with various partners including reputed foreign manufacturers, and through interaction with various Indian and international research organisations.

Further, for the optimum utilization of right of way and effective grid operation and management, we deploy state-of-the-art technologies such as high temperature endurance conductors, series compensation including thyristor control, multi circuits tower configuration, compact substation layouts, high capacity carrying lines and systems, compact and tall towers in our transmission systems. Having established the 765kV EHV AC and 500kV HVDC technologies, as a next step to meet expected accelerated growth, initiatives have been undertaken to introduce high surge impedance loading lines, UHV, AC and DC systems, large scale automation of substations, use of helicopter in construction and maintenance across our systems to ensure development of efficient, coordinated and economical inter-state transmission system for the bulk transfer of power.

The increased interest in recent years for the transportation of energy across long distances, particularly from remote hydropower projects, has also increased the interest in higher DC transmission voltage than presently used. This has led to development of High Voltage Direct Current ("**HVDC**") and Ultra High Voltage Direct Current ("**UHVDC**"). 800 kV HVDC transmissions are economically attractive for bulk power transmissions of 5,000 – 8,000 MW over 1,000 – 1,500 km or above. We are currently in the process of establishing an 800 kV 6000 MW HVDC bi-pole line from the North Eastern Region to the Northern Region that we intend to transmit power over a distance of more than 2000 kilometers.

We are in the process of establishing a 1,200kV Ultra High Voltage AC transmission system. In order to assist with the development of this system, we are constructing a 1,200kV Ultra High Voltage AC test station at Bina, Madhya Pradesh in the Western Region in collaboration with manufacturers of specialized 1,200 kV AC equipment including BHEL, Crompton Greaves, Siemens and Sterlite Technologies. The test station will allow the manufacturers to field test their 1,200 kV equipment. We have begun the in-house development and prototype testing of 1,200 kV transmission line towers. Tower foundation and erection works are also progressing.

We continually strive to improve our operations and maintenance practices by introducing new technologies in monitoring the health of our system and equipment for fast-response to meeting high reliability requirements. To this end, our company has adopted many state of the art condition monitoring and diagnostic techniques including DGA, FRA, PDC, RVM for transformers, DCRM for circuit breakers, third harmonic resistive current measurement for surge arrestors to improve reliability, availability and life extension. Further, on line monitoring systems for transformers have been implemented to detect faults at incipient stage and provide alarms in advance in case of fault in the transformers. These systems will also provide the dynamic over load capacity of the transformers and will improve the reliability and availability of the transformers.

In order to fulfill a need for the creation of facilities for short-circuit testing of transformers we, along with equal joint venture partners NTPC Limited, NHPC Limited and Damodar Valley Corporation incorporated the National High Power Test Laboratory ("**NHPTL**") Private Limited in May 2009. This entity intends to establish a fully independent, stand alone, state-of-the-art, professionally managed on-line high power test laboratory to undertake a full range of short circuit testing for the electrical equipment manufacturing industry and power utilities. The NHPTL is proposed to be established at our Bina substation in the Western Region in four stages. Stage I and II are proposed to be taken up simultaneously and, when complete, will facilitate short circuit testing of large power transformers up to 400 kV and 765 kV voltage levels, for short-circuit withstand capabilities. The estimated cost of Stage I and Stage II of this facility is projected to be approximately ₹ 3,400 million and is expected to be commissioned by June 2012.

In addition, as part of our R&D initiatives we have undertaken a pilot project in the Northern Region for the implementation of Phasor Measurement Units in a Wide Area Measurement System. A Wide Area Management System allows grid operators enhanced real-time situational awareness over large transmission systems in order to improve safety and reliability and to allow review and analysis of significant system disturbances.

Our R&D efforts have helped us devise innovative tower designs, reducing the right of way requirement for our towers from 85 meters to 64 meters for a 765 kV line and from 52 meters to 46 meters for a 400 kV DC and AC line. In addition, the pole-type structures for 400 kV lines in urban areas such as Dadri Ballabhgarh transmission line has reduced the right of way requirement.

HUMAN RESOURCES

We believe that our employees are key contributors to our success. Our success depends to a great extent on our ability to recruit, train and retain high quality professionals. We believe that our strong brand name, industry leadership position, wide range of growth opportunities and focus on long-term professional development give us significant advantages in attracting and retaining highly skilled employees.

The number of our employees as at March 31, 2009, March 31, 2010 and September 30, 2010 was 8,214, 9,162 and 9,717, respectively. The significant increase in employee numbers in Fiscal 2010 was due to increased business activity.

We undertook a number of HR initiatives during the year in response to intensifying competition for trained manpower. During the year, to nurture and develop the existing manpower, a series of long duration training and development interventions, both functional and developmental, were carried out with focus on building leadership capabilities, strategic orientation and skills to suit new businesses.

In Fiscal 2010, 6,561 employees underwent classroom, in-house or external training programs. We encourage our employees to develop management and technology skills through internal training programmes, through hand-on training programmes conducted at the premises of manufacturers such as Crompton Greaves Limited, Bharath Heavy Electricals Limited, ABB Limited, AREVA, through industry affiliations and external programmes with prominent management institutes such as the Indian Institute of Management, Indian Institute of Technology, Institute of Public Enterprises in Hyderabad, Management Development Institute in Gurgaon, Xavier Labour Relations Institute in Jamshedpur, Engineering Staff College of India in Hyderabad and the National Power Training Institute.

Unions

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

ENVIRONMENTAL POLICY

The Ministry of Environment and Forest of the GoI is the nodal agency for the planning, promotion, coordination and oversight of India's environmental and forest policies and programs. The Ministry of Environment and Forest has issued notifications under the Environment (Protection) Act, 1986 in 1994, 1999 and 2006 prescribing the procedure with respect to environmental impact assessments for the commencement, expansion or modernization of industrial or mining operations. While the Environment (Protection) Act and associated notifications do not generally require environmental clearance to be obtained for electrification or for the construction of new transmission lines, such environmental clearance is mandated for certain areas in the districts of Alwar in Rajasthan and Gurgaon in Haryana. Approval under the Forest (Conservation) Act, 1980 is required when our transmission lines are to be constructed through forest areas.

We believe that in providing our services we must address rising expectations of a cleaner, safer, and healthier environment for everyone. In order to deal with environmental issues effectively, we have implemented a comprehensive policy known as the Environmental and Social Policy and Procedures ("**ESPP**"). We initially developed our ESPP in 1998, following broad consultation with government agencies at the national level, multilateral funding agencies, state utilities, non-governmental organisations and other stakeholders, including the public through public meetings. The ESPP was updated in 2005 and again in 2009 in order to address new enactments, requirements, guidelines and practices.

The ESPP is based on the principles of avoidance, minimisation and mitigation. It outlines our approach and commitment to deal with environmental and social issues relating to our transmission projects. The ESPP lays out management procedures and protocols to mitigate environmental and social concerns. The ESPP provides a framework for the identification, assessment and management of environmental and social concerns at both organisational and project level. At the project level, the ESPP is behind our efforts to reduce transmission corridor requirements by using multi-circuit and compact towers and to limit the number of trees removed by using higher towers. The ESPP spells out its commitment to ensure total transparency through a well defined public consultation process as well as the dissemination of relevant information about a project at every stage of its implementation.

When we obtain loans from multilateral funding agencies we are required to comply with their environmental safeguard policies, along with the policies statutorily mandated by the country in which we are operating. We have had our environmental policies recognised by the World Bank, which has selected our ESPP as the first candidate for "Use of Country Systems" in India. Our selection by the World Bank has reduced transaction costs and simplified obtaining loans by eliminating prior bank approval of environmental and social assessment reports.

We are audited for Social Accountability System, SA 8000:2008 for all our establishments, which ensures that we comply with a standard based on international human rights norms and national labour laws that will protect and empower all personnel within our company's scope of control and influence, who produce products or provide services for us, including personnel we employ, as well as by our suppliers and subcontractors.

Corporate Social Responsibility

Along with addressing rehabilitation and resettlement issues through our ESPP, we formulated a CSR policy that addresses the issue of community development in the vicinity of our offices and substations where the resettlement and rehabilitation activities under the ESPP have been completed and closed. Effective in Fiscal 2010, we intend to invest each year in furtherance of our CSR initiatives an amount equivalent to 1% of our net profit after tax from the previous year.

In line with this policy, we have taken up various activities addressing socio-economic issues of affected persons. We currently work in the areas of infrastructure, education, community health, tribal welfare, arts, culture, heritage and vocational training.

A major portion of CSR our initiatives was focused on the development of physical infrastructure in villages in the vicinity of our offices and substations. In the six months ended September 30, 2010 and Fiscal 2010 we spent ₹ 24.8 million and ₹ 42.9 million, respectively, on CSR activities including the construction of class rooms, libraries and computer rooms for schools, primary health care centers, drinking and sanitation facilities, check dam and drainage infrastructure, roads, street lights, bus shelters and community centers. These facilities were established to have long lasting value and have multiplier effect on improving the standard and quality of life of affected persons.

INSURANCE

We maintain a self-insurance scheme to cover ourselves against a substantial portion of our business risks. Under this scheme, we contribute an amount equal to 0.1% of our gross block of assets (except for valve halls of HVDC bi-pole, HVDC equipment, SVC substations and series compensators) each year into a self insurance reserve that we account for under our reserves and surplus. In Fiscal 2010, our self insurance reserve stood at ₹ 2,334.1 million. As at September 30, 2010, our self-insurance reserve was ₹ 2,527.9 million. We also maintain insurance policies with outside insurers in respect of risks to certain critical equipment and other selected risks. We insure our HVDC system and 765 kV substations under Industrial All Risks policies. We insure our load despatch centers against fire and special perils, theft and burglary. Certain of our telecom assets are insured against fire damage and others are insured against burglary and certain risks of theft. We have various other insurance policies, including policies against fire and certain risks of theft.

COMPETITION

Currently, we are the dominant provider of interstate power transmission in India. We carried approximately 47.0% of the total power generated in India in Fiscal 2010 and we own and operate more than 95% of the ISTS.

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

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

Competition in the transmission sector depends on the size, nature and complexity of the project and the geographic region in which the project is being executed. While service quality, technical capability, health and safety history, availability of qualified personnel, as well as reputation and experience are important considerations, price is the major factor in most tender awards. Further, size, scheduling and complexity of certain large scale projects preclude participation by smaller and less sophisticated companies that operate in our industry. Our primary competitors include Reliance Power Transmission, Energy Infratech, and Kalpataru Power Transmission.

Our consultancy business is subject to competition from various competitors in India and abroad. We are generally awarded our domestic consultancy projects without a competitive bidding process. Our primary domestic competitors include KEC International Limited, Larsen & Toubro, Kalpataru Power Transmission Limited, Gammon India Limited, ABB India, Areva T&D and Siemens. Most of our international projects are awarded on a competitive bidding process. Our primary international competitors include Lahmeyer International Gmbh, Fichtner GmbH & Co, KEMA Inc., Energy Services Limited and SMEC International Pty Limited.

In our telecommunication business, we are subject to broad and intense competition for the provision of telecom bandwidth services, particularly from telecom companies with geographically extensive networks. Competition is expected to intensify in the telecommunications services industry in India and there may also be increasing competition from global players. We expect competition to intensify further as new entrants emerge in the industry due to available growth opportunities, as companies in other industries try to expand into the telecommunications services industry and as existing competitors seek to expand their services. Further, consolidation among our competitors may also leave us at a competitive disadvantage. Our primary competitors include Bharti Airtel, Tata Communications Limited, Railtel and Tulip Telecommunication, and most of our competitors are also our customers.

RIGHTS OF WAY, LAND AND BUILDINGS

We do not acquire the land under transmission lines and towers as per the provisions of the Electricity Act and rules framed pursuant to G.S.R. 217(E) notified under section 67 of the Electricity Act. Rather, once we have determined the preferred route for our new transmission line, we exercise powers delegated to us under the law to establish a right of way and then begin construction. Under the provisions of the Electricity Act, all damage caused in the construction of the transmission lines is required to be compensated. In case of resistance, we can approach local authorities to take appropriate enforcement action and to obtain resolution.

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

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

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of certain sector-specific laws, regulations, and policies in India, which are applicable to our Company. The summary below is only intended to provide general information to Bidders and is neither designed nor intended to substitute for professional legal advice.

THE POWER SECTOR

"Electricity" is an entry in the Concurrent List of the Seventh Schedule to the Constitution of India. Therefore, State legislatures also have jurisdiction to legislate in the power sector, provided that the State enactment does not conflict with any Central enactment in this sector.

The Electricity Act, 2003 ("Electricity Act")

The Electricity Act was enacted by the Parliament, repealing the Indian Electricity Act, 1910 (which governed transmission, supply and use of electricity), the Electricity (Supply) Act, 1948 (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 Central Electricity Authority ("**CEA**") is constituted under the Electricity Act and consists of members appointed by the GoI. Among other functions, the CEA specifies technical standards for construction of electrical plants, electric lines and connectivity to the grid, grid standards for operation and maintenance of transmission lines, and conditions for installation of meters for transmission and supply of electricity, as well as advising the GoI on matters relating to the National Electricity Policy. The Electricity Act also provides for the constitution of a Central Electricity Regulatory Commission ("**CERC**") and State Electricity Regulatory Commissions ("**SERCs**"), or a Joint Commission by agreement between two or more State governments or, in respect of a union territory, between the Central Government and one or more State Governments. CERC's responsibilities include licensing and regulation of inter-State transmission of electricity, determination of tariff for inter-State transmission of electricity, and specifying and enforcing standards with respect to quality, continuity and reliability of service by transmission licensees. The Electricity Act vests SERCs with the responsibility to facilitate and promote efficient transmission, wheeling and inter-connection arrangements within their territorial jurisdiction. In addition, the Electricity Act constitutes an Appellate Tribunal for Electricity ("**ATE**") to hear appeals against orders of an adjudicating officer or the appropriate Commission under the Electricity Act.

The Electricity Act requires a person undertaking transmission, distribution or trading in electricity in any area in the territory of India to obtain a prior license for such activity. The Electricity Act also provides that the CTU or the STU is a deemed transmission licensee. The GoI may notify any Government company as a CTU. Similarly the State Government may notify the SEB or any Government company as STU. A person intending to act as a transmission licensee is required to forward a copy of the application to the CTU or STU, as the case may be, which sends its recommendations to the relevant Commission. The appropriate Commission may specify any general or specific conditions that may apply to a particular licensee or a class of licenses. A license granted under the Electricity Act continues in force for a period of 25 years. The relevant Commission may at any time, if public interest requires, alter the terms of the license or revoke the license as it thinks fit in accordance with the procedure prescribed in the Electricity Act. The Electricity Act empowers the relevant Commission to issue directions to licensees if necessary, and also prescribes a detailed procedure for the sale of the utilities of the licensee in the event the relevant Commission revokes the license. The Electricity Act prohibits a licensee from assigning its license or transferring its utility or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the relevant Commission, or from undertaking any transaction to acquire the utility of any other licensee or merging its utility with the utility of any other licensee, without prior approval of the relevant Commission. The duties of a transmission licensee under the Electricity Act include building, maintenance and operation of an efficient inter/intra State transmission system, and providing non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges or to any consumer who has obtained open access from the relevant SERC on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act. The Electricity Act requires every transmission licensee to comply with the technical standards of operation and maintenance of transmission lines, in accordance with grid standards specified by the CEA.

The Electricity Act provides for the establishment of the NLDC and the RLDC by the GoI. The NLDC and RLDCs are prohibited from trading in electricity and RLDCs are also prohibited from engaging in the business of generation or trading of electricity. RLDCs exercise supervision and control over the inter-State transmission system and their responsibilities include optimum scheduling and despatch of electricity in accordance with the contracts entered into with licensees or generating companies operating in the region, monitoring grid operations, keeping accounts of the quantity of electricity transmitted through the regional grid, exercising supervision and control over the inter-State transmission system, and carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the grid standards and grid code. The RLDC will be operated by a Government company or authority or corporation constituted under a Central enactment, as may be notified by the GoI. The CTU will operate the RLDC until such notification is issued. The concerned State Government is required to establish a State Load Despatch Centre ("**SLDC**") as an apex body to ensure integrated operation of the power system in a State, through supervision and control over the intra-State transmission system. The SLDC is required to comply with the directions of the RLDCs. The CTU is responsible for undertaking transmission of electricity through the inter-State transmission system, planning and coordination relating to inter-State transmission systems with specified authorities and stakeholders, development of an efficient and coordinated system of inter-State transmission lines for smooth flow of electricity from generating stations to load centres, and providing non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act.

The Electricity Act requires the CTU and STUs and every transmission licensee to provide mandatory non-discriminatory open access to their transmission and distribution systems for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act. The Electricity Act provides certain principles in accordance with which the appropriate Commission will specify terms and conditions for determination of tariff. Under the Electricity Act, CERC is vested with the authority to determine the tariffs for inter-State transmission of electricity. A transmission licensee may with prior intimation to CERC or the SERC, as the case may be, engage in any business for optimum utilization of its assets, provided that a proportion of its revenues from such business be utilised for reducing its charges for transmission and wheeling.

Tariff Regulations

a. Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009

CERC notified Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, which came into force on April 1, 2009 and are valid for a period of five years ("**Tariff Regulations**"). The Tariff Regulations apply in all cases where tariff for a generating station or a unit thereof (other than those based on non-conventional energy sources) and the transmission system is to be determined by CERC under section 62 read with section 79 of the Electricity Act. The Tariff Regulations provide that tariff be determined based on capital expenditure incurred duly certified by the auditors, or as projected to be incurred up to the date of commercial operation and additional capital expenditure incurred duly certified by the auditors or projected to be incurred during the tariff period. Applications for determination of tariff are required to be made in accordance with the CERC (Procedure for Making of Application for Determination of Tariff, Publication of the Application and other Related Matters) Regulations, 2004. The capital cost admitted by CERC after prudence check (to be carried out based on benchmark norms to be specified by CERC) will form the basis for determination of tariff. The Tariff Regulations provide that in cases where benchmark norms have not been specified, prudence check may include reasonableness of capital cost, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run. Debt and equity amounts with respect to a project will be used to calculate interest on loan, return on equity, depreciation and foreign exchange variation. For projects declared under commercial operation on or after April 1, 2009, if equity deployed exceeds 30% of the cost then the equity in excess of 30% will be considered a normative loan. Where equity deployed is less than 30%, actual equity will be considered for determination of tariff. Tariff on inter-State transmission systems will comprise recovery of AFC consisting of interest on loan capital, depreciation, return on equity, operation and maintenance expenses and interest on working capital. The Tariff Regulations provide the basis for computation of each such factor. The return on equity is calculated on pre-tax basis at a base rate of 15.5% and in case of projects commissioned on or after April 1, 2009, an additional 0.5% will be allowed if the project is completed within the stipulated timeline, provided that in case an element of the transmission system is ready for regular service but is prevented from providing such service for reasons not attributable to the transmission licensee, its suppliers or contractors, CERC may approve the date of commercial operation prior to such element of the transmission system coming into regular service.

In case of existing projects, licensees may continue to provisionally bill beneficiaries or the long-term customers with the tariff approved by CERC and applicable as on March 31, 2009 for the period starting from April 1, 2009 until approval of the tariff by CERC. In the interim, their applications will be based on admitted capital cost including any additional capitalization admitted up to March 31, 2009 and estimated additional capital expenditure for the respective years of the tariff period 2009-2014.

The appropriate government may by order in writing for the purpose of placing of electric lines or electric plant for the transmission of electricity and for co-ordination of works, confer on any public officer, licensee or any other person to exercise all the powers vested in the Telegraph Authority under Part III of the Indian Telegraph Act, 1885.

b. Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009

CERC notified the Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009 ("**Connectivity Regulations**") on August 7, 2009 with the objective to provide transmission products of different varieties, standardize procedures, define the timelines and ensure a level playing field among different categories of market players. The Connectivity Regulations provide for the procedures and requirements for obtaining connectivity to interstate transmission system, availing medium-term open access and availing long term access. Applications for the grant of connectivity or long-term access or medium-term open access will be made to the CTU.

Under the Connectivity Regulations, connectivity to interstate transmission system can be sought by any generating plant having installed capacity of at least 250 MW and any bulk consumer having at least a load of 100 MW. Thermal generating stations of 500 MW and greater and hydro generating stations or a generating station using renewable sources of energy of capacity of 250 MW and greater, other than a captive generating plant, are not required to construct dedicated lines to the point of connection and such stations are taken into account for coordinated transmission planning by the CTU and CEA. Further, medium term open access is available for any period exceeding three months but not exceeding three years and it will be provided on the basis of availability of transmission capacity in the existing transmission system. An entity who has been granted medium term open access can exit after giving a notice of 30 days and by paying transmission charges for the period of relinquishment or a period of 30 days, whichever is lesser.

Long term access can be availed for any period between 12 years to 25 years and might require construction of new transmission capacities for giving long term access which can be further extended by giving a notice of six months period. An exit option is available from the long term access without any financial liability if the access has been availed for at least 12 years and an advance notice is given at least one year before such exit.

An exit option can be exercised even before the period of 12 years at a notice of one year subject to payment of specified charges if it is likely that the transmission capacity being vacated will remain idle.

c. Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010

CERC notified the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ("**Sharing of Charges and Losses Regulations**") on June 16, 2010. These regulations implement the point of connection method of sharing the cost of inter-state transmission services in India, replacing the present system of regional postage stamps. These regulations provide that the yearly transmission charges, revenue requirement on account of foreign exchange, rate variation, changes in interest rates etc. and the losses will be shared amongst the power stations that are regional entities as defined in the Indian Electricity Grid Code ("**IEGC**"); SEBs/STUs connected with ISTS; any bulk consumer directly connected with the ISTS, and any designated entity representing a physically connected entity stated above. All the users will be default signatories to the Transmission Service Agreement (TSA), which also requires these users to pay the point of connection charge, which covers the revenue of transmission licensees. The point of connection tariffs are based on load flow analysis and capture utilization of each network element by the users. These regulations also provide necessary mechanisms for billing, connection and other commercial matters. These regulations will come into force on January 1, 2011 for a period of five years therefrom.

d. Central Electricity Regulatory Commission (Grant of Regulatory Approval for Execution of Inter-State Transmission Scheme to Central Transmission Utility) Regulations, 2010

CERC notified the Central Electricity Regulatory Commission (Grant of Regulatory Approval for Execution of Inter-State Transmission Scheme to Central Transmission Utility) Regulations, 2010 ("**Inter-state Transmission Scheme Regulations**") on May 31, 2010. These regulations apply to any scheme proposed by a CTU for the development of inter-state transmission systems in consonance with the National Electricity Plan. The CTU may file an application before the Commission for regulatory approval of identified ISTS scheme, with a project inception report. The CTU will within seven days of making such an application, post the complete application on its website and publish a notice of the application in two leading national newspapers inviting objections/suggestions within a period of one month from the date of publication. The ISTS schemes will be evaluated on the basis of (i) need for the transmission scheme, i.e., technical justification, urgency and prudence of the investment; (ii) cost assessment and possible phasing of implementation; and (iii) a cost-benefit analysis to the users of the proposed ISTS Scheme. The Commission may either approve the ISTS scheme with such modifications, if required or reject the application or require the CTU to submit a fresh application with required particulars. The CTU will implement the transmission elements out of the approved ISTS scheme in accordance with the Connectivity Regulations. The tariff of the ISTS scheme will be borne by the users of the scheme and the transmission charges will be shared among the users based on the sharing methodology specified by the Commission from time to time.

e. Central Electricity Regulatory Commission (Procedures for Calculating the Expected Revenue from Tariffs and Charges) Regulations, 2010

CERC notified the Central Electricity Regulatory Commission (Procedures for Calculating the Expected Revenue from Tariffs and Charges) Regulations, 2010 on April 4, 2010. These regulations will apply in all cases where tariff other than those based on non-conventional energy sources is determined by the Commission. Every generating company or transmission licensee which has made an application for determination of tariff will submit information in the formats with respect to expected revenue from tariffs and charges determined by the Commission from time to time. The formats will be submitted annually under affidavit on or before November 30 of each year containing the financial position for the previous financial year, current financial year and the ensuing financial year. The Commission may adopt such procedures and issue such directions as may be considered necessary for the purpose of validation of data and analysis of the underlying assumptions of the data submitted by the generating company and transmission licensee under these regulations.

Central Electricity Regulatory Commission (Regulation of Power Supply) Regulations, 2010

CERC notified the Central Electricity Regulatory Commission (Regulation of Power Supply) Regulations, 2010 ("**Power Supply Regulations**") on September 28, 2010. The Power Supply Regulations apply to generating companies and transmission licensees ("**Regulating Entities**") in the event that the agreement between the Regulating Entity and the beneficiary includes a specific provision with respect to regulation of power supply in case of (i) non-payment of outstanding dues by the beneficiary, or (ii) any agreed payment security mechanism. In the event that the outstanding dues are not paid by the beneficiary to the Regulating Entity within 60 days from the date of service of the invoice, the Regulating Entity may serve a notice on the defaulting entity for reducing the drawl schedule or for withdrawal of open access to inter-state transmission system to such defaulting beneficiary. Thereafter, within three days of receiving the notice, the concerned state load despatch centre/RLDC, in whose control area the defaulting entity is situated, shall make a plan in writing for implementing the regulation of power supply in such a manner that the amount of reduction in drawl schedule will progressively increase in quantum in accordance with the notice given by the Regulating Entity. The defaulting entity must restrict its drawl to the revised schedule and deviations, if any, will be subjected to unscheduled inter-change charges. The generating company is entitled to sell the surplus power made available by the restricted drawl entitled to the defaulting entity to any person in the open market. The amount received from the sale of surplus power will be adjusted against the outstanding dues of the defaulting entity. Further, the transmission licensee may request the RLDC to curtail the medium term open access or long term open access of the power supply to the defaulting entity.

National Electricity Policy

The GoI notified the National Electricity Policy ("**NEP**") on February 12, 2005, under Section 3 of the Electricity Act. The key objectives of the NEP are stipulating guidelines for accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers. The NEP vests the CTU and the STUs with the responsibility for transmission system planning and development on the national and regional and the intra-State levels, respectively, and requires the CTU to coordinate with the STUs for eliminating transmission constraints in a cost-effective manner. The NEP provides that the network expansion be planned and implemented keeping in view anticipated transmission needs that would be incident on the system in the open access regime. The NEP encourages private investment in the transmission sector, and states that prior agreement with beneficiaries would not be a pre-condition for network expansion and the CTU and

STUs should undertake network expansion after identifying requirements in consultation with stakeholders and obtaining due regulatory approvals.

Tariff Policy

The GoI notified the Tariff Policy on January 6, 2006 (as amended), under section 3 of the Electricity Act, to guide CERC and the SERCs in discharging their functions. The Tariff Policy seeks to achieve optimal development of the transmission network and attract investments in the transmission sector, and to balance interests of consumers and the need for investments while laying down the rate of return, which should attract investments at par with, if not in preference to other sectors such that the electricity sector is able to create adequate capacity. The Tariff Policy requires CERC to determine the rate of return on equity keeping in view the overall risk and prevalent cost of capital, and to establish norms for capital and operating costs, operating standards and performance indicators for transmission lines at different voltage levels. The Tariff Policy provides that transmission charges under the national tariff framework be determined on MW per circuit kilometer basis, zonal postage stamp basis, or some other pragmatic variant, such that transmission system users share the total transmission cost in proportion to their respective utilization of the transmission system, and that transactions be charged on the basis of average transmission losses arrived at after appropriately considering distance and directional sensitivity, as applicable to relevant voltage levels. The Tariff Policy requires investment by transmission developers other than the CTU or an STU to be invited through competitive bids, provided that after a period of five years or when CERC is satisfied that the situation in India is appropriate, competitive bidding be extended in respect of projects to be developed by the CTU and STUs.

Benchmark Norms for Capital Cost for 400/765 KV Transmission Lines

The Tariff Policy provides that at the time of CERC allowing the total capital cost of a transmission project, CERC should ensure that the total capital cost is reasonable and, to achieve this objective, requisite benchmarks on capital costs should be evolved by CERC. Accordingly, CERC by its order (No. L-1/30/2010 – CERC) dated April 27, 2010, notified the benchmark norms in terms of requirement of regulation 7 of the Tariff Regulations. The benchmark norms prescribe the maximum and minimum cost per circuit kms for 400 KV and 765 KV transmission lines as per prescribed parameters.

Benchmark Norms for Capital Cost for Sub-Stations associated with 400/765 KV Transmission System

The Tariff Policy provides that at the time of CERC allowing the total capital cost of a transmission project, CERC should ensure that the total capital cost is reasonable and, to achieve this objective, requisite benchmarks on capital costs should be evolved by CERC. Accordingly, CERC by its order (No. L-1/36/2010 – CERC) dated June 16, 2010, approved the benchmark norms for capital cost for sub-stations associated with 400/765 KV transmission system, which will be taken into consideration while determining the capital cost as required under regulation 7 of the Tariff Regulations.

Regulatory approval of CERC for development and execution of certain identified transmission systems for evacuation of power from various generation projects planned to be promoted by independent power producers ("IPPs")

CERC by its order dated May 31, 2010, has given its regulatory approval under Regulation 24 read with Regulation 111 and 113 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Central Electricity Regulatory Commission (Open Access in Inter-State Transmission) Regulations, 2004 to our Company for constructing nine transmission corridors across the country with an envisaged investment of about ₹ 580,000 million. The CERC order dated May 31, 2010 provides for our Company to ensure the execution of evacuation systems required in connection with grant of long term open access to a group of developers for the following High Capacity Power Transmission Corridors ("**HCPTCs**") for 48 IPPs:

1. Transmission system associated with Phase - I generation projects in Odisha;
2. Transmission system associated with IPP projects in Jharkhand;
3. Transmission system associated with IPP projects in Sikkim;
4. Transmission system associated with IPP projects in Bilaspur complex, Chhattisgarh and IPPs in Madhya Pradesh;
5. Transmission system associated with IPP projects in Chhattisgarh;
6. Transmission system associated with IPP projects in Krishnapatnam area, Andhra Pradesh;
7. Transmission system associated with IPP projects in Tuticorin area, Tamil Nadu;
8. Transmission system associated with IPP projects in Srikakulam area, Andhra Pradesh; and
9. Transmission system associated with IPP projects in southern region of the country for transfer of power to other regions.

Additionally, the order provides that, *inter alia*, (i) prior agreement with the users would not be a precondition for network expansion by our Company after identifying the requirements in consonance with the National Electricity Plan and in consultation with the stakeholders, subject to receipt of due regulatory approvals; (ii) the nine proposed transmission systems are required to be implemented within time frames matching with the commissioning schedules of the IPPs so that the beneficiaries are not burdened with higher infrastructural development charge; (iii) transmission charges and its sharing by constituents will be determined by CERC in accordance with applicable regulations on terms and conditions of tariff as specified by CERC from time to time.

TELECOMMUNICATIONS SECTOR

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

Indian Telegraph Act, 1885 ("Indian Telegraph Act")

The Indian Telegraph Act is the principal legislation regulating telegraphs, which include any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature by wire, visual or other electro-magnetic emissions, radio waves or hertzian waves, galvanic, electric or magnetic means. Under the Indian Telegraph Act, the GoI has the power to grant licenses on such conditions and in consideration of such payments as it thinks fit, to any person to establish, maintain or work a telegraph in any part of India. The GoI also has the power to make rules applicable to persons licensed under the Indian Telegraph Act, including rules specifying the rates and other conditions subject to which messages will be transmitted within India, conditions subject to which any telegraph line or appliance of apparatus for telegraphic communication will be established, maintained, worked, repaired, transferred, shifted, withdrawn or disconnected, charges in respect of any application for providing any telegraph line, appliance or apparatus, charges in respect of (i) the establishment, maintenance, working, repair, transfer or shifting of any telegraph line, appliance or apparatus; and (ii) the services of operators operating such line, appliance or apparatus, and the time, manner and conditions under which and the persons by whom such rates, charges and fees will be paid and the furnishing of security for the payment of such rates, charges and fees. The GoI may, at any time, revoke any license granted under the Indian Telegraph Act, on the breach of any of the conditions contained therein, or in default of payment of any consideration payable thereunder. All disputes between the telegraph authority and the licensee will be settled through arbitration. The arbitrator will be appointed by the Central Government. The award of the arbitrator will be conclusive between the parties to the dispute and will not be questioned in any court.

Wireless Telegraphy Act, 1993(“Wireless Telegraphy Act”)

The Indian Wireless Telegraphy Act regulates the possession of wireless telegraphy apparatus and prohibits possession of wireless telegraphy apparatus without licence. The Central Government may, by rules made under the Wireless Telegraphy Act, exempt any person or class of persons from this requirement either generally or subject to prescribed conditions, or in respect of specified wireless telegraphy apparatus. The telegraphy authority constituted under the Indian Telegraph Act, 1885, is the competent authority to issue licences to possess wireless telegraphy apparatus, and may issue licences in such manner, on such conditions and subject to such payments, as may be prescribed. The Wireless Telegraphy Act provides penalty for possession of any wireless telegraphy apparatus, other than a wireless transmitter, in contravention of the Wireless Telegraphy Act. The Wireless Telegraphy Act further provides that no license issued under this Act authorizes any person to do anything for which a license or permission under the Indian Telegraph Act is necessary.

The Telecom Regulatory Authority of India Act, 1997 (“TRAI Act”)

TRAI Act provides for the establishment of the Telecom Regulatory Authority of India (“**TRAI**”) to regulate the telecommunication services industry. The TRAI Act also provides for the constitution of the Telecom Disputes Settlement and Appellate Tribunal (“**TDSAT**”), the adjudicatory body in this sector. The functions and responsibilities of TRAI include making recommendations to the GoI in connection with matters such as the need and timing for introduction of new service providers, specifying the terms and conditions of licenses issued to service providers and revocation of licenses for non-compliance with stipulated conditions, ensuring compliance with conditions of licenses, regulating revenue sharing arrangements among service providers, specifying standards of quality of service to be provided by service providers, ensuring effective compliance of universal service obligations (“**USO**”), and rendering advice to the GoI in matters relating to development of telecommunication technology and the telecommunication industry in general. Additionally, TRAI is empowered to specify the rates at which the telecommunication services within and outside India are provided. The provisions of the TRAI Act are in addition to the provisions of the Indian Telegraph Act and the Indian Wireless Telegraphy Act and will not affect any jurisdiction, powers and functions required to be exercised or performed by the authorities established under the aforesaid legislation in relation to any area falling within the jurisdiction of such authority.

Interconnection Usage Charges Regulations, 2003 (“IUC Regulation”)

The IUC Regulation, notified by TRAI with effect from December 1, 2003, supersede the earlier regulations dated January 24, 2003. The IUC Regulations regulate arrangements among service providers for payment of IUC for telecommunication services, covering basic services including wireless loop services, cellular mobile services, and long distance services throughout the territory of India, as well as international subscriber dialing. The charge payable by one service provider to one or more service providers for usage of the network elements for origination, transit or termination of the calls, is called the IUC. The IUC Regulations stipulate a single access deficit charge be paid to service operators by all basic, cellular, national long distance and international long distance service providers for origination, transit and termination of calls, in place of the multiple charges required to be paid under the previous regulations. Except in respect of roaming tariffs, TRAI has not, for the time being, notified any charge for a particular telecommunication service, and service providers are free to fix any charge for such service. TRAI has the right to periodically review and modify the IUC, *suo moto* or on reference from any affected party. The IUC Regulations propose that the access deficit charge regime be phased out and merged with the USO regime.

TRAI Regulation on Quality of Service of Dial-Up and Leased Line Internet Access Service

The TRAI Regulation on Quality of Service of Dial-Up and Leased Line Internet Access Service, 2001 requires all basic service operators and ISPs to maintain a certain grade and quality of service parameters. TRAI periodically measures network performance parameters including time to access, probability of access, ISP node unavailability, and grade of service, directly or through an independent agency appointed by it. TRAI is empowered to revise these parameters periodically.

NLDO License Guidelines

National long distance carriage of switched bearer telecommunications services beyond the respective service areas of private operators was opened for competition in January 2000, pursuant to which the DoT notified guidelines for the issue of licenses for the right to carry inter-circle traffic and to facilitate sharing of infrastructure (including passive infrastructure such as buildings, towers and fibre optic networks, as well as point-to-point bandwidth) between cellular and other telecom service providers in their areas of operation. Indian registered companies with a net worth of ₹ 25,000 million and paid up equity of ₹ 2,500 million are eligible to apply for a National Long Distance Operator ("**NLDO**") Licence. Total foreign equity in the applicant company is not permitted to exceed 74% at any time during the entire license period. The license for an NLDO is issued on a non-exclusive basis for a period of 20 years and is extendable by 10 years at a time. NLDO licences provide for certain customer verification requirements. Telecommunication service providers including NLDO licensees are required to pay a license fee to the GoI on a revenue sharing basis. Of the total revenue share license fees paid by operators to the GoI at present, 5% of adjusted gross revenue is allocated towards the USO for development of rural and remote areas.

Intra Circle Merger Guidelines

The DoT issued revised guidelines in April 2008, to replace the Intra-Circle Merger Guidelines issued on February 21, 2004 to facilitate intra-service area merger of Cellular Mobile Telephone Service ("**CMTS**")/Unified Access Service ("**UAS**") licenses. The guidelines provide that merger of licenses be restricted to the same service area, merger of license be permitted within certain categories of licenses and with prior approval of the DoT (provided that there be at least three operators in that service area for that service consequent on such merger), merger of license not be allowed if the number of UAS/CMTS access service providers fall below four in the relevant market and the market share of the merged entity in the relevant market exceeds 40%, and while granting permission for merger of licenses, the DoT may suitably amend, relax and/or waive the conditions in the respective license agreements dealing with 'substantial equity' requirements.

Tariff Order

TRAI had previously specified various ceilings and floor prices for most telecom services. Since the implementation of the IUC Regulation, telecommunications tariffs are regulated by TRAI through the Telecommunication Tariff Order, 1999 as amended by the Telecommunication Tariff (Thirty Sixth Amendment) Order 2005 ("**Tariff Order**") on the basis of transparency of tariffs, as well as the following underlying principles:

a) IUC consistent tariffs imply that the service provider be able to meet IUC expenses on a weighted average basis. The relevant weighted average should be of the service segment concerned;
b) Tariffs should be non-discriminatory. Different tariffs should not be charged for calls within the network and outside it when the calls are to the same service area; and
c) Non-predation is linked to the ability to pay IUC expenses while covering own costs.

National Telecom Policy, 1994 ("National Telecom Policy")

The National Telecom Policy announced by the DoT on March 26, 1999 with effect from April 1, 1999, in place of the National Telecom Policy 1994. Among other features, it requires all access providers, including cellular mobile telephone services providers, fixed telephone service provider and cable service providers, to provide interconnection to NLDOs.

Broadband Policy

The Broadband Policy was announced by the Ministry of Communications and Information Technology, GoI, in 2004. Among other features, it encourages the spread of optical fibre networks, permits access providers to enter into mutually agreed on commercial arrangements for utilization of available copper loop for expansion of broadband services, and provides that broadband service providers may franchise operations to cable television network providers.

ENVIRONMENTAL LAWS

The Environment (Protection) Act, 1986 ("**EPA**") vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution, including the power to prescribe standards for emission of environmental pollutants or hazardous substances, inspection of any premises, plant, equipment or machinery, and examination of manufacturing processes and materials likely to cause pollution. There are also provisions with respect to furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts. The MoEF has issued notifications under the EPA in 1994, 1999 and 2006 (collectively, the "**EIA Notifications**"), prescribing the procedure with respect to environmental impact assessment for the commencement, expansion or modernization of industrial or mining operations. While the EPA and the EIA notifications do not generally require environmental clearance to be obtained for electrification and laying of new transmission lines, such environmental clearance is mandated in respect of certain areas in the districts of Alwar in Rajasthan and Gurgaon in Haryana.

Penalties for violation of the EPA includes fine upto ₹ 0.10 million or imprisonment of up to five years or both. Further, in case operations involve clearance of forest land, the Forest (Conservation) Act, 1980, as amended ("**Forest Conservation Act**") requires prior clearance of the GoI, through the MoEF. The penalties for non-compliance under the EPA and the Forest Act range from closure or prohibition of operations as well as monetary penalties on and imprisonment of the persons in charge of the conduct of the business of the company.

LABOUR LAWS

The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952 as amended ("**EPF Act**") applies to factories employing over 20 employees and such other establishments and industrial undertakings as notified by the GoI from time to time. It requires all such establishments to be registered with the State provident fund commissioner, and requires such employers and their employees to contribute in equal proportion to the employees' provident fund the prescribed percentage of basic wages and dearness and other allowances payable to employees. The EPF Act also requires the employer to maintain registers and submit a monthly return to the State provident fund commissioner.

The Industrial Disputes Act, 1947 ("**ID Act**") provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen. The Industrial Disputes (Amendment) Bill 2010 passed by the Rajya Sabha on August 3, 2010, proposes to, among other things, provide direct access for workmen to labour courts or tribunals in case of individual disputes, expand the scope of qualifications of presiding officers of labour courts or tribunals, constitute grievance settlement machineries in any establishment having 20 or more workmen, and vest industrial tribunals-cum-labour courts with the powers of a civil court in respect of enforcement of their decrees.

The Workmen's Compensation Act, 1923 as amended ("**Workmen's Compensation Act**") requires an employer to pay compensation for personal injury or death due to such personal injury caused by accident during employment, except in certain cases for instance where such workman was at the time of injury under the influence of drugs or alcohol, or willfully disobeyed safety rules. On December 1, 2009, the Indian Parliament passed the Workmen's Compensation Amendment Bill, 2009, which proposed to expand the scope of the Workmen's Compensation Act beyond companies with at least 20 employees and to include clerical staff, raise monetary compensation payable in the event of death or permanent disability, and introduce reimbursement for treatment of injuries sustained in course of employment. On notification, the statute will be the Employee Compensation Act, 2010.

The Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA Act**"), regulates the employment of contract labour in establishments, and provides for ensuring welfare and health of contract labourers. The CLRA requires establishments that employ or employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. To ensure the welfare and health of the contract labour, the CLRA Act imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, if the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities.

The Employees' State Insurance Act, 1948 ("**ESI Act**") provides for certain benefits to employees in case of sickness, maternity and employment injury. Every employee, who receives wages up to ₹ 10,000 per month, whether employed directly or through a contractor is entitled to be insured under the ESI Act. The ESI Act imposes an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the establishment is also required to register itself under the ESI Act and maintain prescribed records and registers.

The Payment of Bonus Act, 1965 ("**Bonus Act**") is applicable on every establishment employing 20 or more employees. The Bonus Act provides for payment of bonus irrespective of profit and makes payment of minimum bonus compulsory to those employees who draw a salary or wage up to ₹ 10,000 per month and have worked for a minimum period of 30 days in a year. It further requires for the maintenance of certain books and registers and submission of annual return within 30 days of payment of the bonus to the Inspector.

The Minimum Wages Act, 1948 as amended ("**Minimum Wages Act**") provides for minimum wages in certain employments. The Central and the State Governments stipulate minimum wages, calculated based on the basic requirement of food, clothing and housing required by an average Indian adult.

OTHER RELEVANT LEGISLATION

Trademarks Act, 1999 (the "Trademarks Act")

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act as amended governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years and can be renewed in accordance with the specified procedure.

Competition Act, 2002 (the “Competition Act”)

The Competition Act aims to prevent anti-competitive practices that cause or are likely to cause an appreciable adverse effect on competition in the relevant market in India. The Competition Act regulates anti-competitive agreements, abuse of dominant position and combinations. The Competition Act, although enacted in 2002, is being brought into force in a phased manner. Provisions relating to anti-competitive agreements and abuse of dominant position were brought into force with effect from May 20, 2009 and thereafter the Competition Commission of India (“**Competition Commission**”) became operational from May 20, 2009. Sections 5 and 6 (dealing with combinations, mergers and acquisitions) are yet to be notified, by the GoI.

Under the Competition Act, the Competition Commission has powers to pass directions / impose penalties in cases of anti-competitive agreements, abuse of dominant position and combinations. In the event of failure to comply with the orders or directions of the Competition Commission, without reasonable cause, such person is punishable with a fine extending to ₹ 0.1 million for each day of such non-compliance, subject to a maximum of ₹ 100.0 million. If there is a continuing non-compliance the person may be punishable with imprisonment for a term extending up to three years or with a fine which may extend up to ₹ 250.0 million or with both as the Chief Metropolitan Magistrate, Delhi may deem fit. In case of offences committed by companies, the persons responsible for the conduct of the business of the company will be liable under the Competition Act, except when the offence was committed without their knowledge and they had exercised due diligence to prevent it. Where the contravention committed by the company took place with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such person is liable to be punished. The Competition Act also provides that the Competition Commission has the jurisdiction to inquire into and pass orders in relation to an anti-competitive agreement, abuse of dominant position or a combination, which even though entered into, arising or taking place outside India or signed between one or more non-Indian parties, but causes an appreciable adverse effect in the relevant market in India. The Lok Sabha has passed a bill to transfer the pending monopolies and restrictive trade practices cases under the Consumer Protection Act, 1986 to the Competition Appellate Tribunal. Once this bill is notified the Competition Appellate Tribunal will take up the pending cases of unfair trade practices under the Consumer Protection Act, 1986. This bill will replace the ordinance which was introduced on October 14, 2009 to make the Monopolies and Restrictive Trade Practice Commission non functional.

Foreign Direct Investment

Under India’s Consolidated FDI Policy, effective from October 1, 2010, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GoI, foreign direct investment (“**FDI**”) in the power sector is in the 100% automatic route, requiring no approval from the Foreign Investment Promotion Board (“**FIPB**”). For infrastructure providers in the telecommunications sector, providing dark fibre, right of way, duct space and tower infrastructure (IP Category I), FDI up to 49% is in the automatic route and beyond 49% is permitted with the FIPB’s prior approval, provided that the applicant is compliant with the terms of its license agreement.

HISTORY AND CERTAIN CORPORATE MATTERS

In 1980 the Rajadhyaksha Committee on Power Sector Reforms submitted its report to the GoI suggesting extensive reforms in the Indian power sector. Based on the recommendations of the Rajadhyaksha Committee, in 1981 the GoI took the policy decision to form a national power grid which would pave the way for the integrated operation of the central and regional transmission systems.

Pursuant to this decision to form a national power grid, our Company was incorporated on October 23, 1989 under the Companies Act, 1956 as 'National Power Transmission Corporation Limited', with the responsibility of planning, executing, owning, operating and maintaining the high voltage transmission systems in the country. We received a certificate for commencement of business on November 8, 1990. The name of our Company was changed to its present name 'Power Grid Corporation of India Limited' and a fresh certificate of incorporation was issued on October 23, 1992. The name of our Company was changed to its present name from 'National Power Transmission Corporation Limited' as its then abbreviated form, 'NPTC Limited', had close resemblance to another existing company, namely, NTPC Limited ("**NTPC**").

As on September 30, 2010, the total number of holders of Equity Shares of our Company is 792,096. Our Company is presently listed on the BSE and the NSE.

For further information on our business including description of our activities, services, market of each segment, our growth, technology, market, managerial competence and capacity build-up, our standing with reference to our prominent competitors, see "***Our Business***" and "***Industry Overview***" on pages 82 and 70, respectively.

Our Company is not operating under any injunction or restraining order.

Transfer of transmission assets from generating units

Initially, our Company was engaged in the management of the transmission assets owned by the central generating companies such as the NTPC, NHPC Limited ("**NHPC**") and North-Eastern Electric Power Corporation Limited. In January 1993, the National Thermal Power Corporation Limited, the National Hydro Electric Power Corporation Limited and the North-Eastern Electric Power Corporation Limited (Acquisition and Transfer of Power Transmission Systems) Ordinance, 1993 ("**Power Transmission Systems Ordinance**") was enacted pursuant to which the right, title and interest of these three power generating companies in relation to the power transmission system, comprising the main transmission lines, including the extra high voltage alternative current transmission lines and the HVDC lines, and sub-stations, owned by them, were acquired by the GoI and transferred to our Company, with effect from April 1, 1992. Under the Power Transmission Systems Ordinance, our Company acquired all the rights, liabilities, assets, leaseholds, powers, authorities and privileges and all movable and immovable property relating to the power transmission systems owned by the three generating companies. The Power Transmission Systems Ordinance also provided that all employees of the three generating companies who were associated with power transmission systems would be deemed to be the employees of our Company. In April 1993, the Power Transmission System Ordinance became a statute after receiving the assent of the President of India.

Transmission assets of Neyveli Lignite Corporation Limited were taken over by our Company with effect from April 1992 under the Neyveli Lignite Corporation Limited (Acquisition and Transfer of Power Transmission System) Act, 1994. The transmission assets of Nuclear Power Corporation Limited and Tehri Hydro Development Corporation Limited have also been transferred to our Company with effect from April 1991 and August 1993, respectively, pursuant to memorandum of understandings executed with our Company.

National and Regional Load Despatch Functions

In 1994, the GoI entrusted our Company with the further responsibility of controlling the existing load despatch centres in the country with a view to achieve better grid management and operation. Pursuant to this decision, the control of the five regional load despatch and communication centres was transferred to our Company in a phased manner between 1994 and 1996. Our Company has undertaken the ULDC and communication project ("**ULDC Project**") under which modernized load despatch facilities have been established in each of the five regional centres. The implementation of the ULDC Project has, amongst other things, caused the reduction of grid disturbances, improved grid reliability and facilitated the effective implementation of availability based tariff. On February 25, 2009, the NLDC was inaugurated. The NLDC is responsible for monitoring the operations and grid security of the national grid and supervises the scheduling and despatch of electricity over inter-regional lines in coordination with the RLDCs. Our wholly-owned subsidiary, POSOCO, was established in March 2009 to oversee the grid management function of our operations and commenced operations in March 2010. We are in the process of transferring the movable assets of our power system operations segment to our subsidiary with effect from October 1, 2010.

Designation as the CTU

Our Company was notified as the Central Transmission Utility by the GoI on December 31, 1998. We continue to be the CTU under the Electricity Act as per the notification issued by the GoI on November 27, 2003. Amongst other functions, as CTU we are required to (a) undertake transmission of electricity through the inter-state transmission system; (b) discharge all functions of planning and co-ordination relating to inter-state transmission systems, with certain specified authorities and stakeholders; (c) ensure development of an efficient, coordinated and economical system of inter-state transmission lines for smooth flow of electricity from generating stations to load centres; and (d) provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act.

Under the Electricity Act, the CTU is required to undertake the functions of the RLDC and we are therefore responsible for (a) optimum scheduling and despatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region; (b) monitor grid operations; (c) keep accounts of quantity of electricity transmitted through the regional grid; (d) exercise supervision and control over the inter-state transmission system; and (e) carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the grid standards and grid code.

However, the National Electricity Policy states that the existing arrangement of CTU operating the RLDCs will be reviewed by the GoI based on the experience of working with the existing arrangement.

Navratna Company

On May 1, 2008, our Company was notified as a Navratna company by the GoI, through notification (DPE OM No. 26(3)/2005-GM-GL-92). As a Navratna company, we are eligible for enhanced delegation of powers to our Board, including (a) power to incur capital expenditure without governmental approval; (b) ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad will be 15% of the net worth of our Company in one project limited to ₹ 10,000 million and the overall ceiling on such investments in all projects put together will be 30% of the net worth of our Company; (c) power to enter into merger and acquisitions subject to certain conditions; and (d) the Board has the power to further delegate the powers relating to human resource management (appointments, transfers, postings etc,) of below Board level executives to sub-committees of the Board or to executives of our Company as may be decided by the Board.

Role in distribution reforms and rural electrification

In 2001, our Company was assigned the role of an advisor-cum-consultant, by the GoI, for implementation of the APDRP in 18 states in India. The objective of the APDRP is to give impetus to reforms in the power distribution sector and the responsibility of our Company extends to providing assistance to SPUs in formulation of DPR, to technically examine the DPRs and recommend them to the MoP and to monitor the implementation of the schemes, the commercial performance and reform measures undertaken by the SPUs in the assigned geographical areas. We undertook the implementation of distribution improvement schemes in the states of Bihar, Uttar Pradesh, Goa, Gujarat, Tripura and Meghalaya on a deposit work basis. Our participation in APDRP concluded in March 2009.

Additionally, our Company has been assigned a significant role in relation to implementation of projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana programme ("**Rural Electrification Programme**") for accelerated electrification of rural households to be undertaken in association with REC, the concerned state government and state power utility. For more information, see "***Our Business***" on page 82.

Change in our Registered Office

The registered office of our Company was changed on July 29, 1998 from Hemkunt Chambers, 89, Nehru Place, New Delhi 110 019, India to its present location at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110 016, India, for administrative and operational efficiency.

Major events

In addition to events described hereinabove, the following table illustrates the major events in the history of our Company since its incorporation in 1989.

Fiscal	Event
1989	Our Company was incorporated as 'National Power Transmission Corporation Limited'.
1991	Transmission assets from Nuclear Power Corporation Limited were transferred to our Company pursuant to a memorandum of understanding executed between the parties.
1992	Transmission assets from NTPC, NHPC and North-Eastern Electric Power Corporation Limited were transferred to our Company pursuant to legislation promulgated by the Parliament.
	The name of our Company was changed from 'National Power Transmission Corporation Limited' to 'Power Grid Corporation of India Limited'.
1993	Transmission assets of Tehri Hydro Development Corporation Limited were transferred to our Company pursuant to a memorandum of understanding executed between the parties.
1994	Our Company took over the management of the Southern Regional Load Despatch Centre.
	Our Company entered into a memorandum of understanding with the MoP, which is revised annually. We achieved the highest rating of 'Excellent' under the memorandum of understanding.
	Transmission assets from Neyveli Lignite Corporation Limited were transferred to our Company pursuant to legislation promulgated by the Parliament.
1995	Our Company took over the management of the Eastern Regional Load Despatch Centre and the North Eastern Load Despatch Centre.
1996	Our Company took over the management of the remaining two regional load despatch centres, namely, the Northern Regional Load Despatch Centre and the Western Load Despatch Centre.
1998	Our Company formulated an Environment and Social Policy and Procedures Code to deal with environmental and social issues relating to its transmission projects.
	Our Company was formally notified as a CTU by the GoI.

Fiscal	Event
	Our Company was declared as a Mini Ratna Category I public sector undertaking by the GoI.
2001	Our Company was granted Infrastructure Provider II license (IP II) from the Department of Telecommunications, GoI to pursue leasing of bandwidth capacity to various customers on its telecommunications network.
2002	The unified load despatch and communications schemes for the northern and southern regions were commissioned.
	Our Company was appointed as the Advisor-cum-Consultant under the APDRP by the MoP for power sector reforms.
	The Sasaram HVDC back to back transmission system developed by our Company was commissioned leading to the completion of the first phase of the construction of the National Grid.
	The 2,000 MW Talchar-Kolar bipolar HVDC link developed by our Company was commissioned.
2003	Our Company entered into a joint venture arrangement with The Tata Power Company Limited implementing a part of the entire transmission system associated with Tala Hydro-Electric Project which was the first public-private sector initiative in the transmission sector.
	The 400 KV Raipur-Rourkela line transmission line developed by our Company was commissioned and the Western region, Eastern Region and North-Eastern Region begin operating in a synchronized manner with a cumulative capacity of 50,000 MW.
	Our Company secured its first international consultancy contract from Bhutan Telecommunications.
2005	The unified load despatch and communications scheme for the eastern region was commissioned.
2006	The unified load despatch and communications scheme for the western region was commissioned.
	Our Company entered into an agreement with REC and certain state governments and state utilities for undertaking rural electrification works under the Rajiv Gandhi Grameen Vidyutikaran Yojana in nine states in India.
2007	Dedication of transmission system associated with Tala Hydro-Electric Project which was the first public-private sector initiative in the transmission sector by the Prime Minister Dr. Manmohan Singh.
	Listing of our Equity Shares on the Stock Exchanges.
2008	Our Company was declared as a Navratna public sector undertaking by the GoI.
	The 220 KV Double Circuit Transmission line from Pul-e-Khumri to Kabul Transmission System in Afghanistan was completed.
2009	The National Load Despatch Centre was established.
	Our Subsidiary, Power System Operation Corporation Limited, was incorporated
	Our Company was mentioned as the world's third largest transmission utility by a news release issued by the World Bank
2010	Our Company was selected as a consortium member to implement the National Knowledge Network Project, a telecommunication infrastructure project.
	Commissioning of the commercial operations of the National Load Despatch Centre.
	Commissioning of the 220/110/20 KV Chimtala sub-station at Kabul, Afghanistan.
2011	Our Company entered into an MoU with Jamia Millia Islamia University for the training and certification of its System Operators in Supervisory Control And Data Acquisition (SCADA) technology.

For more information on our Company's capital raising activities through equity and debt, see "***Capital Structure***", "***Financial Indebtedness***" and "***Other Regulatory and Statutory Disclosures***" on pages 32, 282 and 355, respectively.

Certifications, Awards and Recognitions

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

Year	Certification/ Award
1993-1994 to present	Our Company has received the 'Excellent' rating under the memorandum of understanding with the MoP since 1993-1994.
1998-2001 and	Our Company was awarded the MoU Excellence Award.

Year	Certification/ Award
2003-08	
2000-2001	Our Company was awarded the Indo-German Greentech Environment Excellence Award for implementation of Environment and Social Policy and Procedures and green belt development.
2004	Our Company was awarded the Golden Peacock National Quality Award (Runners Up) in relation to quality standards.
	Our Company was certified to operate an integrated management system which complies with the requirements of BS EN ISO 9001:2000, BS EN ISO 14001:1996 and OHSAS 18001:1999 standards in relation to quality, environment and occupational health and safety standards respectively with respect to design, engineering, procurement, construction, operation and maintenance activities for transmission systems up to 800 KV, HVDC, Supervisory Control and Data Acquisition (SCADA), Energy Management Systems and Communication Projects.
2006	Our Company was awarded the Green Award 2006 by the World Bank with respect to the Powergrid System Development Project II for commitment in the field of environmental sustainability.
	The Eastern and North Eastern region of our Company were awarded the prize for the best transmission system availability under Category I and Category II, respectively for the year 2004-05.
2007	Our Company was certified for PAS 99:2006 integrating the requirement of ISO 9001:2000 for quality, ISO 14001:2004 for environment management and OHSAS 18000:1999 for health and safety management systems.
2008	Our Company was recognised for its meritorious performance by the MoP for the year 2006-07 and won a Gold Shield for the 132KV transmission system in the North Eastern region and a Silver Shield for the 220KV and 400KV transmission system in the Western region.
2009	Our Company was awarded First Prize at IEEMA Power Awards 2009 ceremony for 'Excellence in Power Transmission' by NDTV Profit.
	Our Company was recognised for its meritorious performance by the MoP for the year 2007-08 and won a Gold Shield for the transmission system at North Eastern region, a Silver Shield for the transmission system at the Western region and a Silver Shield for the early completion of the transmission project in Southern region I.
	Our Company was awarded the All India Organization of Employers Industrial Relations Award 2007-08 by the Ministry of Labour, GoI.
	Our Company was awarded 'Gold' trophy under the institutional category in SCOPE excellence awards for the year 2008-2009.
	Our Company was awarded the 'Star' Public Sector Company Award for 2007-08 by Business Standard.
	Our Company was awarded the Overall Utility Performance in Transmission Segment Award for 2008-09 by KW Conferences in association with Council of Power Utilities.
	Our Company was featured in the list of top 250 global energy companies compiled by Platts, a leading provider of energy and commodities information. Our Company was also named amongst the fastest growing global energy companies ranking for 2009 issued by Platts.
	Our Company won the 'Emerging Telecom Infrastructure Provider' Award at the INFOCOM CMAI National Telecom Awards 2009.
	Our Company received a Certificate of Merit by the International Federation of Training and Development Organizations, Canada at the Global Human Resource Development Awards, 2009.
2010	Our Company received three Gold Shields for the transmission system availability of Western region – I, of North Eastern region and for the early completion of 220 KV D/C Pul-e-Khumri to Kabul transmission line in Afghanistan; a Silver Shield for the system availability at the Easter region – I, in the National Awards for Meritorious Performance in Power Sector 2008-09 awarded by the MoP.
	Our Company is certified with Integrated Management System (IMS) as per Publicly Available Specification, PAS 99:2006 integrating requirement of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our Company is also certified with SA

Year	Certification/ Award
	8000:2008 for its Social Accountability System.
	Our Company won the "Award for best HR strategy in line with business" by Asia's best employer brand awards.

Our Main Objects

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

1. To plan, promote and develop an integrated and efficient power transmission system network in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports, construction, operation and maintenance of transmission lines, sub-stations, load despatch stations and communication facilities and appurtenant works, coordination of integrated operation of regional and national grid system, providing consultancy services in power systems field, execution of turnkey jobs for other utilities/organizations, wheeling of power, purchase and sale of power in accordance with the policies, guidelines and objectives laid down by the Central Government from time to time.

2. To act as an agent of Government/Public Sector Financial institutions, to exercise all the rights and powers exercisable at any meeting of any company engaged in the planning, investigation, research, design and preparations of preliminary, feasibility and definite project reports, manufacture of power plant and equipment, construction, generation, operation and maintenance of power transmission system from power generating stations and projects, transmission, distribution and sale of power in respect of any shares held by the Government, public financial institutions, nationalized banks, nationalized insurance companies with a view to secure the most effective utilization of the financial investments and loans in such companies and the most efficient development of the concerned industries.

3. To carry on the business of purchasing, manufacturing, selling, importing, exporting, producing, trading, manufacturing plant, equipment and otherwise dealing in all aspects of planning, investigation, research, design, engineering and construction and establishment, operation and maintenance of power transmission systems, distribution systems, generating stations, consultancy and execution of turnkey jobs for other utilities/ organizations and purchase and sale of power, power system development, ancillary and other allied industries and for that purpose to install, operate and manage generating stations and all necessary transmission & distribution lines, sub-stations, switchyards, load despatch stations and communication facilities, establishments and allied works.

3A. To plan, promote, develop, erect and maintain, operate and otherwise deal in telecommunications networks and services in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports; to purchase, sell, import, export, assemble, manufacture, install, commission, maintain, operate commercially whether on own or with others, on lease or otherwise, these networks and for such purposes to set up and/or install all requisite communications facilities and other facilities including fibre optic link, digital microwave links, communication cables, other telecommunication means, telephone and other exchanges, coaxial stations, microwave stations, repeater stations, security system databases, billing systems, subscriber management systems and other communication systems whether consisting of sound, visual impulse, or otherwise, existing or that may be developed or invented in the future and to manufacture, purchase, sell, import, export, assemble, take or give on lease/rental/subscription basis or by similar means or otherwise deal in components and other support and ancillary hardware and software systems, accessories, parts and equipments, etc. used in or in connection with the operation of the above communication systems and networks including to deal with telecommunication operators or directly with the general public, commercial companies or otherwise, to obtain the National Long Distance Operator (NLDO) License and acknowledge compliance with the terms and conditions of the License Agreement entered into with the Department of Telecommunications (DOT).

For more information on our business and operations, see "***Our Business***" and "***Financial Statements***" on pages 82 and 184, respectively.

Changes in our Memorandum of Association

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

Date of Amendment	Details
October 25, 1991	Clause 3 of the main objects clauses was amended, as follows: "*To carry on the business of purchasing, manufacturing, selling, importing, exporting, producing, trading, manufacturing plant, equipment and otherwise dealing in all aspects of planning, investigation, research, design, engineering and construction and establishment, operation and maintenance of power transmission systems, distribution systems, generating stations, consultancy and execution of turnkey jobs for other utilities/ organizations and purchase and sale of power, power system development, ancillary and other allied industries and for that purpose to install, operate and manage generating stations and all necessary transmission & distribution lines, sub-stations, switchyards, load dispatch stations and communication facilities, establishments and allied works.*"
September 30, 1992, approved by the RoC on October 23, 1992	The name of our Company was changed from 'National Power Transmission Corporation Limited' to 'Power Grid Corporation of India Limited'.
February 22, 2000	A new object was inserted as clause 3 A of the main objects clause, which is as follows: "*To plan, promote, develop, erect and maintain, operate and otherwise deal in telecommunications networks and services in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports; to purchase, sell, import, export, assemble, manufacture, install, commission, maintain, operate commercially whether on own or along with others, on lease or otherwise, these networks and for such purposes to set up and/or install all requisite communications facilities and other facilities including fibre optic link, digital microwave links, communication cables, other telecommunication means, telephone and other exchanges, coaxial stations, microwave stations, repeater stations, security system databases, billing systems, subscriber management systems and other communication systems whether consisting of sound, visual impulse, or otherwise, existing or that may be developed or invented in the future and to manufacture, purchase, sell, import, export, assemble, take or give on lease/rental/subscription basis or by similar means or otherwise deal in all components and other support and ancillary hardware and software systems, accessories, parts and equipments, etc. used in or in connection with the operation of the above communication systems and networks including to deal with telecommunication operators or directly with the general public, commercial companies or otherwise.*"
June 13, 2006	Clause 3A was further amended and the following sentence was added which is as follows: "*to obtain the National Long Distance Operator (NLDO) Licence and acknowledge compliance with the terms and conditions of the Licence Agreement entered into with Department of Telecommunications*"
March 28, 2007	The authorised share capital of our Company was increased from ₹ 50,000 million

Date of Amendment	Details
	divided into 50,000,000 equity shares of ₹ 1,000 each to ₹ 100,000 million divided into 10,000,000,000 Equity Shares of ₹ 10 each. Each equity share of ₹ 1,000 has been split into 100 Equity Shares of ₹ 10 each.
August 18, 2009	Clause IIIB (8)was amended and stated as below: "*to borrow, for purposes of the Company, foreign currency or to obtain foreign lines of credit including commercial loans from any bank or financial institution or government/authority in India or abroad.*"

Listing

The Equity Shares of our Company were listed in the Stock Exchanges on October 5, 2007 pursuant to our IPO.

The total number of shareholders of our Company as on September 30, 2010 was 792,096.

Holding Company

We do not have a holding company.

Our Subsidiaries

Our Company has two subsidiaries neither of which have been declared a sick company under the Sick Industrial Companies (Special Provisions) Act, 1985, as amended. No application has been made in respect of our subsidiaries to the Registrar of Companies for striking off its name and no proceedings have been initiated in respect of their winding up, except as described below in respect of Byrnihat Transmission Company Limited ("**BTCL**"). Further, the listing of the equity shares of our Subsidiaries has not been refused by any stock exchange in India or otherwise.

1. Power System Operation Corporation Limited ("POSOCO")

POSOCO was incorporated on March 20, 2009 under the Companies Act. POSOCO is authorised to engage in the business of independent system operations. The authorised share capital of POSOCO is ₹ 2,000,000,000 divided into 200,000,000 equity shares of ₹ 10 each, and the paid up capital of POSOCO is ₹ 500,000 (divided into 50,000 equity shares of ₹ 10 each). Our Company, including through its nominees, holds 50,000 equity shares in POSOCO, i.e. 100% of the issued and paid up equity share capital of POSOCO.

The amount of accumulated losses of POSOCO not accounted for by our Company is ₹ 12,802,159 in Fiscal 2010.

2. Byrnihat Transmission Company Limited ("BTCL")

BTCL was incorporated on March 23, 2006 under the Companies Act. BTCL is authorised to engage in the business of undertaking the implementation of the 220 KV D/C Misa Byrnihat transmission line. Presently BTCL is not undertaking any business activities. The authorised share capital of BTCL is ₹ 0.50 million divided into 50,000 equity shares of ₹ 10 each and the paid up capital of BTCL is ₹ 0.5 million (divided into 50,000 equity shares of ₹ 10 each). Our Company, including through its nominees, holds 50,000 equity shares in BTCL, i.e. 100% of the issued and paid up equity share capital of BTCL.

The amount of accumulated losses of BTCL not accounted for by our Company are ₹ 101,730 and ₹ 85,548 in Fiscal 2010 and Fiscal 2009, respectively.

The MoP has issued a directive dated August 4, 2010 to our Company conveying the approval of GoI for permitting our Company to institute winding up proceedings of BTCL. The Ministry of Corporate Affairs, GoI, by a letter to our Company dated September 24, 2010, has given notice that at the expiration of 30 days from the date of the letter the name of BTCL will be struck off from the register and BTCL will be dissolved unless cause is shown to the contrary.

Our Joint Ventures

We have entered into nine joint venture arrangements, pursuant to which the following joint venture companies have been incorporated:

1. Powerlinks Transmission Limited ("**PTL**");
2. Torrent Powergrid Limited ("**TPL**");
3. Jaypee Powergrid Limited ("**JPL**");
4. Parbati Koldam Transmission Company Limited ("**PKTCL**")
5. Teesta Valley Power Transmission Limited ("**TVPTL**");
6. North East Transmission Company Limited ("**NETCL**");
7. National High Power Test Laboratory Private Limited ("**NHPTL**");
8. Energy Efficiency Services Limited ("**EESL**"); and
9. Powergrid IL&FS Transmission Private Limited ("**PITPL**");

The listing of the equity shares of our joint venture companies has not been refused by any stock exchange in India or otherwise. The key agreements entered into by our Company in relation to the joint venture arrangements and brief details of the joint venture companies are described below.

1. Powerlinks Transmission Limited ("PTL")

Our Company is responsible for implementing the entire transmission system associated with the Tala Hydro-Electric Project being developed at Bhutan. We have entered into a joint venture agreement with The Tata Power Company Limited ("**Tata Power**") for establishing specific transmission lines associated with the Tala Hydro-Electric Power Project ("**Tala JV Transmission Project**") on a BOOT basis. The joint venture company PTL has been incorporated pursuant to this joint venture agreement for implementing the Tala JV Transmission Project.

PTL was incorporated on May 4, 2001 as 'Tala-Delhi Transmission Limited' under the Companies Act. The name of the company was changed to 'Powerlinks Transmission Limited' on August 27, 2003. PTL is authorised to engage in the business of building, owning, operating the transmission line associated with the 1,020 MW Tala HEP. The authorised share capital of PTL is ₹ 4,836 million divided into 483.6 million equity shares of ₹ 10 each and the paid up capital of PTL is ₹ 4,680 million (divided into 468 million equity shares of ₹ 10 each). Our Company holds 229,320,000 equity shares in PTL, i.e., 49% of the issued and paid-up capital of PTL.

A. <u>Shareholders' Agreement</u>

Our Company, Tata Power and PTL entered into a shareholders' agreement on July 4, 2003 in relation to the Tala JV Transmission Project ("**Tata SHA**"), which was amended by a supplementary agreement dated August 29, 2008.

The key terms of the Tata SHA are set forth below:

- *Share capital and subscription*: Our Company will subscribe to and hold 49% of the paid-up equity share capital of PTL while the remaining 51% of the paid up equity share capital of PTL will be subscribed to and held by Tata Power and its affiliates. However, Tata Power is required to hold at least 49% of the paid-up equity capital and its affiliates (which will be a maximum of two entities) will hold not more than 2% of the paid-up equity capital. The parties will subscribe to additional shares offered in proportion to their shareholding. The parties will subscribe to the additional shares within 30 days of the call being made to the shareholders to subscribe to the said shares. A party's failure to fulfil this obligation, will constitute a material breach of the Tata SHA giving the other party the following rights:

  (a) the defaulting party will pay interest at 1% per month for every day of default, and in case of sustained default, that is 60 days beyond the specified date, its entitlement will be offered to the non-defaulting party; and

  (b) the non-defaulting party will have the right to terminate the Tata SHA.

- *Board of directors*: As long as our Company holds at least 49% of the paid-up equity share capital of PTL, we have the right to nominate up to four directors. Further, as long as our Company holds at least 26% of the paid-up equity share capital of PTL, we have the right to nominate the non-executive chairman of PTL. Tata Power will have the right to nominate five directors on the board of PTL as long as it continues to hold at least 51% of the paid-up equity share capital of PTL. The managing director of PTL shall be a nominee of Tata Power, who shall be responsible for the management of day to day affairs of PTL. In the event of a change in shareholding in PTL, each shareholder shall be entitled to nominate one director on the board of PTL for each block of 10% of the paid-up equity share capital held by such shareholder. Further, the lenders for the Tala JV Transmission Project shall have a right to nominate upto two directors on the board of PTL.

- *Reserved matters*: As long as our Company holds at least 10% of the paid-up equity capital of PTL, our affirmative vote is required at meetings of the board of directors and shareholders of PTL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or debt or any other interest in any other entity;
  (c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;
  (d) Utilization of the assets or interests of the company for any purpose other than the business of the company
  (e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the Tala JV Transmission Project;
  (f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Tala JV Transmission Project including consultancy if the value of such contract exceeds ₹ 500 million, provided that contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;
  (g) Award of any contract for operation and maintenance of the Tala JV Transmission Project if the aggregate value of such contract exceeds ₹ 50 million per annum, provided that those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;
  (h) Pledging or encumbering any of the assets of the company to any third party other than to

lenders funding the Tala JV Transmission Project cost and other than those arising by operation of law;

(i) Change of any significant accounting principles and practices;
(j) Adoption of annual capital and revenue budgets;
(k) Increase or otherwise alteration in the authorized or issued share capital of company;
(l) Appointment or removal of auditors;
(m) Declaration of dividend;
(n) Listing of shares on any stock exchange; and
(o) Disinvestment of shares.

- *Role of parties*: The parties to the Tata SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of PTL so as to ensure that PTL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance, including transaction of all business of PTL on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and Tata Power have also undertaken to exercise voting rights at shareholder and board meetings of PTL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of PTL are conducted in accordance with the Tata SHA.

- *Financing*: Tata Power is primarily responsible for ensuring that PTL raises capital and other finances required for its business. Our Company is not required to undertake or be party to any guarantee, obligation or otherwise give any security for such raising of finance. Our Company will pledge its shareholding in PTL in case the pledge given by Tata Power is insufficient to meet the requirement of the lenders.

- *Transfer of shares*: Subject to certain specified exceptions, our Company and Tata Power cannot transfer any of the shares of PTL for a period of five years from the actual commercial operation date of the completed project. Either party may transfer shares of PTL after the aforesaid period after giving a right of first refusal to the other party and following the procedures established in the Tata SHA. Any transfer of shares may be made by either of the shareholders to their wholly owned subsidiary without requiring compliance with the above mentioned requirements.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or any party committing or knowingly permitting a material breach of any conditions of the agreement which is not cured within the stipulated period, or if our Company ceases to hold at least 10% of the paid-up equity share capital of PTL.

B. Amended and Restated Implementation Agreement

On July 4, 2003 we entered into an implementation agreement with PTL which was revised through an amended and restated implementation agreement executed with PTL on April 8, 2004 ("**Tala Implementation Agreement**"). The Tala Implementation Agreement provides for matters relating to the development and construction of the Tala JV Transmission Project by PTL and establishes the obligations of each party in relation to the project. PTL is responsible for constructing and commissioning the Tala JV Transmission Project in accordance with technical specifications and particulars at its own cost and expense. We have the right to exercise supervision and control over the Tala JV Transmission Project provided it does not interfere with the rights of PTL and the performance of its obligation under the Tala Implementation Agreement. If the PTL fails, for reasons solely attributable to it, to commission any phase of the Tala JV Transmission Project by its commercial operation date, it is required to pay us 0.5% of the cost of development of the phase which has been delayed as liquidated damages for each week of delay subject to a maximum limit of 5% of the cost of development of such phase. Since we are responsible for developing the remaining transmission system associated with the Tala Hydro-Electric Project, our Company is required to provide inter-connection facilities for testing and commission the Tala JV Transmission Project. If we fail to complete and make available the interconnection facilities to PTL on time, our Company will be liable to pay the damages for the delay which will be calculated in the manner stated above.

The schedule to the Tala Implementation Agreement provides the circumstances under which we will be required to buy-out the Tala JV Transmission Project and prescribes the procedure for buy-out. We entered into a supplementary agreement with PTL on October 7, 2004 for modifying the buy-out procedure ("**Supplementary Tala Implementation Agreement**"). The Supplementary Tala Implementation Agreement provides that if PTL serves a termination notice to us under the Tala Implementation Agreement in relation to an event of default of the agreement by our Company, we will, subject to CERC approval be required, within 120 days of such notice, to purchase all assets of PTL comprising the Tala JV Transmission Project (including land, building, plant and equipment, spare parts, records, drawings and other consumables). If we serve a termination notice on PTL under the Implementation Agreement in relation to an event of default of the agreement by PTL, then subject to CERC's approval, we will within six months of such termination notice purchase all assets of PTL comprising the Tala JV Transmission Project. However, if we serve a termination notice on PTL in relation to a *force majeure* event, the buy-out will occur within 120 days, subject to CERC's approval. In the event PTL serves a termination notice on us in relation to a *force majeure* event the buy-out will occur within 120 days subject to CERC's approval. In each case, the price at which we shall purchase the Tala JV Transmission Project will be determined in accordance with the provisions of the Tala Implementation Agreement on the basis of a valuation conducted by an independent firm. The methodology for calculating the buy-out price is prescribed for each circumstance leading to the buy-out.

C. Amended and Restated Transmission Service Agreement

On July 4, 2003 we entered into a transmission service agreement with PTL which was revised through an amended and restated transmission service agreement executed with PTL on April 8, 2004 ("**Tala TSA**") for the purchase of the entire transmission capacity of the Tala JV Transmission Project. Subject to CERC's approval, we have the exclusive right to purchase the entire transmission capacity of the Tala JV Transmission Project for a prescribed transmission charge payable on a monthly basis from the date on which a phase of the Tala JV Transmission Project is first commissioned until the expiry of the Tala TSA i.e. 25 years from the date of issue of a transmission license to PTL (unless the term of the transmission license is extended, subject to a period no later than 30 years from the date of commercial operation of the last phase of the Tala JV Transmission Project) ("**Expiry Date**"), or its termination, whichever is earlier. PTL is responsible for maintaining and repairing the Tala JV Transmission Project and it must ensure that the Tala JV Transmission Project is fit to be operated and is maintained in accordance with the Indian Electricity Grid Code, operating procedures and other compliance requirements.

The schedule to the Tala TSA provides the circumstances under which we shall be required to buy-out the Tala JV Transmission Project and prescribes the procedure for buy-out. We have subsequently entered into a supplementary agreement with PTL on October 7, 2004 for modifying the buy-out procedure ("**Supplementary Tala TSA**"). The events leading to buy-out are similar to the Tala Implementation Agreement described above. However, our Company will have the additional right to purchase each phase of the Tala JV Transmission Project on the Expiry Date. In each case, the price at which we will purchase the Tala JV Transmission Project will be determined in accordance with the provisions of the Tala Transmission Services Agreement on the basis of a valuation conducted by an independent firm. The methodology for calculating the buy-out price is prescribed for each circumstance leading to the buy-out.

2. Torrent Powergrid Limited ("TPL")

Torrent Power Limited ("**Torrent**") is implementing a 1,100 MW power generation project at Akhakhol in Surat, Gujarat. We have entered into a joint venture agreement with Torrent for establishing associated transmission lines for the aforesaid generation unit ("**Sugen Transmission Project**"). The joint venture company TPL has been incorporated pursuant to this joint venture agreement for the purpose of implementing the Sugen Transmission Project on a build, own and operate ("**BOO**") basis.

TPL was incorporated on August 25, 2005 as 'Torrent Power Transmission Private Limited' under the Companies Act. With effect from May 4, 2007, TPL became a public limited company and its name was changed to 'Torrent Powergrid Limited'. TPL is authorised to engage in the business of building, owning and operating the transmission line associated with the 1,100 MW Sugen generating project at Surat. The authorized share capital of TPL is ₹ 1,250 million divided into 125 million equity shares of ₹ 10 each and the paid up capital of TPL is ₹ 900 million (divided into 90 million equity shares of ₹ 10 each). Our Company holds 23,400,000 equity shares in TPL, i.e., 26% of the issued and paid-up capital of TPL.

A. Amended and Restated Shareholders' Agreement

On June 15, 2006 we entered into a shareholders' agreement with Torrent and TPL which was revised through an amended and restated shareholders' agreement executed with Torrent and TPL on February 23, 2007 in relation to the Sugen Transmission Project ("**Torrent SHA**"). The key terms of the Torrent SHA are set forth below:

- *Share capital and subscription*: Our Company and Torrent will each subscribe to and hold 26% of the paid-up equity share capital of TPL. Our Company has the right to maintain its shareholding at this level by subscribing to any future issue of shares of TPL, in proportion to our current shareholding.

- *Board of directors*: The board of directors of TPL shall comprise not more than 12 directors. As long as our Company continues to hold 26% of the paid-up equity share capital of TPL, our Company will have the right to nominate up to three directors on the board of directors of TPL. Further, our Chairman will be the non-executive chairman of TPL. Torrent shall have the right to nominate seven directors on the board of directors of TPL as long as it continues to hold at least 74% of the paid-up equity share capital of TPL. The managing director of TPL will be a nominee of Torrent, who will be responsible for the management of day to day affairs of TPL. Further, the lenders for the Sugen Transmission Project will have a right to nominate two directors on the board of TPL.

- *Reserved matters*: As long as we hold at least 10% of the paid-up equity capital of TPL, our affirmative vote is required at meetings of the board of directors and shareholders of TPL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or debt or any other interest in any other entity;
  (c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;
  (d) Utilization of the assets or interests of the company for any purpose other than the business of the company;

(e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the project;
(f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Sugen Transmission Project including consultancy if the value of such contract exceeds ₹ 500 million. Provided that, contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;
(g) Award of any contract for operation and maintenance of the Sugen Transmission Project if the aggregate value of such contract exceeds ₹ 50 million per annum. Provided further those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;
(h) Pledging or encumbering any of the assets of the company to any third party other than to lenders funding the Sugen Transmission Project cost and other than those arising by operation of law;
(i) Change of any significant accounting principles and practices;
(j) Adoption of annual capital and revenue budgets;
(k) Increase or otherwise alteration in the authorized or issued share capital of company;
(l) Appointment or removal of auditors;
(m) Declaration of dividend;
(n) Listing of shares on any stock exchange; and
(o) Disinvestment of shares.

- *Role of parties*: Our Company and Torrent, as shareholders of TPL, are required to exercise all voting rights and powers available to them in relation to TPL and cause our respective nominees to exercise their powers in meetings of the board of directors of TPL so as to ensure that TPL carries on its business in a proper and efficient manner and to ensure that TPL complies with certain specified principles of good corporate governance, including transaction of all its business on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and Torrent have also undertaken to exercise voting rights at shareholder and board meetings of TPL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of TPL are conducted in accordance with the Torrent SHA.

- *Financing*: Torrent is primarily responsible for ensuring that TPL raises capital and other finances required for its business. Our Company will not be required to undertake or be a party to any guarantee, obligation or give any security for raising of finance. However, our Company has agreed to pledge, to lenders funding the project cost, its shareholding if the pledge already given by Torrent is insufficient to meet the requirements of the lender.

- *Transfer of shares*: Subject to certain specified exceptions, our Company and Torrent cannot transfer any of the shares of TPL for a period of five years from the actual commercial operation date of the completed project. Either party may transfer shares of TPL after the aforesaid period after giving the right of first refusal to the other party and following the procedures established in the Torrent SHA. However, a transfer of shares may be made by either shareholder to its wholly owned subsidiary without requiring compliance with the above mentioned requirements, provided that such transferee executes a deed of adherence.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or any party committing or knowingly permitting a material breach of any conditions of the agreement which is not cured within the stipulated period, or if our Company ceases to hold at least 10% of the paid-up equity share capital of TPL.

B. Amended and Restated Implementation and Transmission Service Agreements

For the purpose of implementation of the Sugen Transmission Project, TPL entered into an implementation agreement and a transmission services agreement with Torrent which were revised through the execution of an amended and restated Implementation Agreement ("**Torrent Implementation Agreement**") dated February 23, 2007 and an amended and restated Transmission Services Agreement ("**Torrent Transmission Services Agreement**") dated February 23, 2007. The revisions in the agreements were made to delete the buy-out provisions in the agreements.

The Torrent Implementation Agreement provides for matters relating to the development and construction, commissioning and connection of the Sugen Transmission Project by TPL and establishes the obligations of each party in relation to the project. The Torrent Implementation Agreement in relation to each phase of the Sugen Transmission Project is valid until the date of commercial operation of such phase or any other date which may be mutually agreed between the parties.

Torrent has agreed to purchase the entire transmission capacity of the Sugen Transmission Project from TPTPL for a specified transmission charge. The Torrent Transmission Services Agreement is valid until 25 years from the date of issue of the transmission license to TPL.

The Torrent Implementation Agreement and the Torrent Transmission Service Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party in the manner specified in the agreements, pursuant to which the Sugen Transmission Project may be sold by TPL within 120 days of the termination notice subject to CERC's approval.

3. Jaypee Powergrid Limited ("JPL")

Jaypee Karcham Hydro Corporation Limited ("**JKHCL**") is setting up a 1,000 MW power generation project at Karcham in Kinnaur, Himachal Pradesh. We have entered into a joint venture arrangement with Jaiprakash Power Venture Limited ("**Jaiprakash**"), earlier named as Jaiprakash Hydro-Power Limited, for establishing associated transmission lines for the aforesaid generation unit ("**Karcham Transmission Project**") on a BOO basis. The joint venture company JPL has been incorporated pursuant to this joint venture agreement for the purpose of implementing the Karcham Transmission Project. The project undertaken by JPL consists of 468 circuit kilometers of transmission line associated with the 1,000 MW Karcham Wangtoo Hydro Electric Project and is expected to be completed by Fiscal 2011.

JPL was incorporated on October 5, 2006 as 'Jaypee Powergrid Limited', under the Companies Act. JPL is authorised to engage in the business of building, owning and operating the transmission lines in connection with the 1,000 MW power generation project at Karcham, Himachal Pradesh. The authorized share capital of JPL is ₹ 3,000 million divided into 300 million equity shares of ₹ 10 each and the paid up capital of JPL is ₹ 2,250 million (divided into 225 million equity shares of ₹ 10 each). As on September 30, 3010, our Company's equity shareholding in JVPL was 45,500,000. As on the date of this Red Herring Prospectus, our Company holds 58.5 million equity shares in JPL, i.e., 26% of the issued and paid-up equity capital of JPL.

A. <u>Shareholders' Agreement</u>

Our Company, Jaiprakash and JPL entered into a shareholders' agreement dated February 22, 2007, which was amended by a supplementary shareholders' agreement dated March 25, 2010 in relation to the Karcham Transmission Project. ("**Jaiprakash SHA**").

The key terms of the Jaiprakash SHA are set forth below:

- *<u>Share capital and subscription</u>*: Our Company will subscribe to and hold 26% of the paid-up equity share capital of JPL while the remaining 74% of the paid-up equity share capital of JPL will be subscribed and held by Jaiprakash. Our Company has the right to maintain our shareholding at this level by subscribing to any future issue of shares of JPL, in proportion to our current share holding.

- *Board of directors*: The board of directors of JPL swill comprise not more than 12 directors. As long as we continue to hold 26% of the paid-up equity share capital of JPL, our Company will have the right to nominate up to three directors on the board of JPL. Further, our Chairman will be the non-executive chairman of JPL. Jaiprakash will have the right to nominate seven directors on the board of JPL as long as it continues to hold at least 74% of the paid-up equity share capital of JPL. The managing director of JPL will be a nominee of Jaiprakash, who will be responsible for the management of day to day affairs of JPL. Further, the lenders for the Karcham Transmission Project will have a right to nominate upto two directors on the board of JPL.

- *Reserved matters*: So long as we hold at least 10% of the paid-up equity capital of JPL, our affirmative vote is required at meetings of the board of directors and shareholders of JPL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or debt or any other interest in any other entity;
  (c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;
  (d) Utilization of the assets or interests of the company for any purpose other than the business of the company;
  (e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the Karcham Transmission Project;
  (f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Karcham Transmission Project including consultancy if the value of such contract exceeds ₹ 500 million. Provided that, contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;
  (g) Award of any contract for operation and maintenance of the Karcham Transmission Project if the aggregate value of such contract exceeds ₹ 50 million per annum. Provided further those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;
  (h) Pledging or encumbering any of the assets of the company to any third party other than to lenders funding the Karcham Transmission Project cost and other than those arising by operation of law;
  (i) Change of any significant accounting principles and practices;
  (j) Adoption of annual capital and revenue budgets;
  (k) Increase or otherwise alteration in the authorized or issued share capital of company;
  (l) Appointment or removal of auditors;
  (m) Declaration of dividend;
  (n) Listing of shares on any stock exchange; and
  (o) Disinvestment of shares.

- *Role of parties*: The parties to the Jaiprakash SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of JPL so as to ensure that JPL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance including transaction of all business on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and Jaiprakash have also undertaken to exercise voting rights at shareholder and board meetings of JPL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of JPL are conducted in accordance with the Jaiprakash SHA.

- *Financing*: Jaiprakash is primarily responsible for ensuring that JPL raises capital and other finances required for its business. Our Company will not be required to undertake or be a party to any guarantee, obligation or give any security for raising of finance. However, our Company has agreed to pledge, to lenders funding the project cost, its shareholding if the pledge already given by Jaiprakash is insufficient to meet the requirements of the lender.

- *Transfer of shares*: Subject to certain specified exceptions, our Company and Jaiprakash cannot transfer any of the shares of JPL at any time until the actual commercial operation date of the completed project. Either party may transfer shares of JPL after the aforesaid period in the following manner:

  (a) after the actual commercial operation date of the completed project and for a period of 5 years from such date both Jaiprakash (including its affiliates) and our Company will have the right to reduce its respective shareholdings in JPL in excess of 51% and 10%, of the paid up share capital respectively by transferring such shares to a strategic investor or through a public listing.
  (b) after the completion of 5 years from the actual commercial operation date of the project both Jaiprakash (including its affiliates) and our Company will have the right to transfer their respective shares to a strategic investor or through public listing. Provided, as long as our Company holds at least 10% of the paid up share capital of JPL under no circumstances can the shareholding of Jaiprakash fall below 26%.

  Either party may transfer shares of JPL to a strategic partner after the aforesaid periods after giving a right of first refusal to the other party and following the procedures established in the Jaiprakash SHA. If Jaiprakash decides to sell its shares in JPL through a public listing, it can do so by giving our Company the right to sell a proportionate percentage of its shares to the public on the same terms and conditions by following the procedures established in the Jaiprakash SHA. If our Company decides to sell its shares in JPL through a public listing, it can do so by giving Jaiprakash the right to sell an equal number of shares to the public on the same terms and conditions by following the procedures established in the Jaiprakash SHA.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or any party committing or knowingly permitting a material breach of any conditions of the agreement which is not cured within the stipulated period, or if a party ceases to hold at least 10% of the paid-up equity share capital of JPL.

B. Implementation and Transmission Service Agreements

For the purpose of implementation of the Karcham Transmission Project, JKHCL has entered into an Implementation Agreement ("**Karcham Implementation Agreement**") dated February 22, 2007 and a Transmission Services Agreement ("**Karcham Transmission Services Agreement**") with JPL dated February 22, 2007.

The Karcham Implementation Agreement provides for matters relating to the development and construction of the Karcham Transmission Project by JPL and establishes the obligations of each party in relation to the project. The Karcham Implementation Agreement is valid until the date of commercial operation of the Karcham Transmission Project or any other date which may be mutually agreed between the parties.

JKHCL has agreed to purchase the entire transmission capacity of the Karcham Transmission Project from JPL for a specified transmission charge. The Transmission Services Agreement is valid until 25 years from the date of issue of the transmission license to JPL or such extended period for which the transmission license is extended.

The Karcham Implementation Agreement and the Karcham Transmission Service Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party as specified in the agreements, pursuant to which JPL will approach CERC for sale of the Karcham Transmission Project.

4. Parbati Koldam Transmission Company Limited ("PKTCL")

National Hydroelectric Power Corporation Limited is establishing the 800 MW Parbati-II HEP Station in Kullu District, Himachal Pradesh and NTPC is establishing the 800 MW Koldam HEP Station in Bilaspur District, Himachal Pradesh. For the above mentioned projects the Standing Committee on Transmission System Planning of Northern Region has, in a meeting dated December 30, 2002 highlighted the need for establishing a suitable evacuation capacity. In furtherance of this our Company decided to implement the transmission project for the Koldam HEP and the Parbati HEP ("**Parbati Koldam Project**"). Reliance Infra Limited ("**RIL**"), earlier named as Reliance Energy Limited, was chosen through a bidding process to be the joint venture partner for the Parbati Koldam Project. We have entered into a joint venture arrangement with RIL for establishing the joint venture company that will undertake the implementation of the Parbati Koldam Project.

PKTCL was incorporated on September 2, 2002 under the Companies Act. PKTCL is authorised to engage in the business of building, owning and operating the transmission line associated with Parbati-II (800 MW) and Koldam (800 MW) HEPs. The authorized share capital of PKTCL is ₹ 3,310 million divided into 331 million equity shares of ₹ 10 each and the paid up capital of PKTCL is ₹ 172 million (divided into 17.2 million equity shares of ₹ 10 each). As on September 30, 2010, our Company's holds 4,471,997 equity shares in PKTCL, i.e., 26% of the issued and paid-up capital of PKTCL.

A. Shareholders' Agreement

On November 23, 2007 we executed a shareholders' agreement with RIL in relation to the Parbati Koldam Project. ("**RIL SHA**"). The key terms of the RIL SHA are set forth below:

Share capital and subscription: Our Company will subscribe to and hold 26% of the paid-up equity share capital of PKTCL while the remaining 74% of the paid-up equity share capital of PKTCL will be subscribed and held by RIL. We have the right to maintain our shareholding at this level by subscribing to any future issue of shares of PKTCL, in proportion to our current share holding. The parties agree and undertake to subscribe to additional shares offered in proportion to their shareholding. The parties will have the obligation to subscribe to the additional shares within 30 days of the call being made to the shareholders to subscribe to the said shares. A party's failure to fulfil its obligation, will constitute a material breach of the RIL SHA requiring the party defaulting party shall pay interest at 1% per month for every day of default, and in case of sustained default, that is 60 days beyond the specified date, its entitlement shall be offered to the non-defaulting party. Further, the non-defaulting party shall also have the right to terminate the RIL SHA.

- *Board of directors*: As long as our Company holds at least 26% of the paid-up equity share capital of PKTCL, we will have the right to nominate up to three directors. Further, our chairman shall be the chairman of the board of directors of PKTCL. RIL will have the right to nominate seven directors on the board of PKTCL as long as it continues to hold at least 74% of the paid-up equity share capital of PKTCL. The managing director of PKTCL will be a nominee of RIL, who will be responsible for the management of day to day affairs of PKTCL. Further, the lenders for the Parbati Koldam Project will have a right to nominate two directors on the board of PKTCL.

- *Reserved matters*: As long as we hold at least 10% of the paid-up equity capital of PKTCL, our affirmative vote is required at meetings of the board of directors and shareholders of PKTCL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or debt or any other interest in any other entity;
  (c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;
  (d) Utilization of the assets or interests of the company for any purpose other than the business of the company;
  (e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the Parbati Koldam Project;
  (f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Parbati Koldam Project including consultancy if the value of such contract exceeds ₹ 500 million. Provided that, contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;
  (g) Award of any contract for operation and maintenance of the Parbati Koldam Project if the aggregate value of such contract exceeds ₹ 50 million per annum. Provided further those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;
  (h) Pledging or encumbering any of the assets of the company to any third party other than to lenders funding the Parbati Koldam Project cost and other than those arising by operation of law;
  (i) Change of any significant accounting principles and practices;
  (j) Adoption of annual capital and revenue budgets;
  (k) Increase or otherwise alteration in the authorized or issued share capital of company;
  (l) Appointment or removal of auditors;
  (m) Declaration of dividend;
  (n) Listing of shares on any stock exchange; and
  (o) Disinvestment of shares.

- *Role of parties*: The parties to the RIL SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of PKTCL so as to ensure that PKTCL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance, including transaction of all business of PKTCL on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and RIL have also undertaken to exercise voting rights at shareholder and board meetings of PKTCL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of PKTCL are conducted in accordance with the RIL SHA.

- *Financing*: RIL is primarily responsible for ensuring that PKTCL raises capital and other finances required for its business. Our Company is not required to undertake or be party to any guarantee, obligation or otherwise give any security for such raising of finance. Our Company has agreed to pledge its shareholding in PKTCL in case the pledge given by RIL is insufficient to meet the requirement of the lenders.

- *Transfer of shares*: Subject to certain specified exceptions, our Company and RIL cannot transfer any of the shares of PKTCL for a period of five years from the actual commercial operation date of the transmission project. Either party may transfer shares of PKTCL after the aforesaid period after giving the right of first refusal to the other party and following the procedures established in the RIL SHA.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or if our Company ceases to hold at least 10% of the paid-up equity share capital of PKTCL or either party's failure to meet its payment obligations towards equity contribution in the case of issue of additional shares.

B. Implementation Agreement

On November 23, 2007, we entered into an implementation agreement with PKTCL ("**Parbati Implementation Agreement**"). The Parbati Implementation Agreement provides for matters relating to the development and construction of the Parbati Koldam Project by PKTCL and establishes the obligations of each party in relation to the project. PKTCL is responsible for constructing and commissioning the Parbati Koldam Project in accordance with technical specifications and particulars at its own cost and expense. We have the right to exercise supervision and control over the Parbati Koldam Project provided it does not interfere with the rights of PKTCL and the performance of its obligation under the Parbati Implementation Agreement. If the PKTCL fails, for reasons solely attributable to it, to commission any phase of the Parbati Koldam Transmission Project by its commercial operation date, it is required to pay us 0.5% of the cost of development of the phase which has been delayed as liquidated damages for each week of delay subject to a maximum limit of 5% of the cost of development of such phase.

C. Operations Interface Agreement

On November 23, 2007 we entered into an operations interface agreement with PKTCL ("**Parbati Operations Agreement**"). The Parbati Operations Agreement provides for matters relating to the operation and maintenance of the Parbati Koldam Project by PKTCL and establishes the obligations of each party in relation to the project. PKTCL is responsible for the operation, maintenance and repair of the Parbati Koldam Project in accordance with the technical specifications and technical particulars as set out in the Parbati Operations Agreement and also the Indian Electricity Grid Code. We have to ensure that the Parbati Koldam Project remains connected with interconnection facilities as well as operate and maintain the interconnection facilities. We also have the right to exercise supervision and control over the operation and management of the Parbati Koldam Project. The availability of a phase of the Parbati Koldam Project, that is the "actual availability", will be calculated on the basis of field data relating to the affected area as per mutual agreement of the parties to the Parbati Operations Agreement. In case the "actual availability" is lower than the availability in the northern region, PKTCL will pay to us an amount equal to the differential of billed TSC/incentive for the transmission system/project and the TSC/incentive based on the actual availability of the transmission system/project cost as settled in case of dispute. If the "actual availability" is higher than the availability in the northern region, our Company is required to pay PKTCL an amount calculated in the same manner. The Parbati Operations Agreement will remain in force for a period of 25 years from the date of issue of a transmission license to PKTCL or any other extended period as may be mutually agreed.

Termination: The Parbati Operations Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party as specified in the agreement, including if any shareholder, who is a party to the RIL SHA, except our Company, ceases to be a shareholder in PKTCL, otherwise than in accordance with the RIL SHA.

5. Teesta Valley Power Transmission Limited ("TVPTL")

Teesta Urja Limited ("**TUL**") is setting up a 1,200 MW Teesta – III hydro electric project in North Sikkim. We have entered into a joint venture with TUL for establishing associated transmission lines for the above HEP on a build, own and operate basis.

Pursuant to the above, TVPTL was incorporated on August 10, 2006 under the Companies Act. TVPTL is authorised to engage in the business of building, owning and operating the transmission line associated with 1200 MW (6x200 MW) Teesta – III HEP in the state of Sikkim. The authorized share capital of TVPTL is ₹ 1,200 million divided into 120 million equity shares of ₹ 10 each and the paid up capital of TVPTL is ₹ 782.1 million (divided into 78.2 million equity shares of ₹ 10 each). Our Company currently holds 20,333,000 equity shares in TVPTL, i.e., 26.0% of the issued and paid-up capital of TVPTL.

A. <u>Shareholders' Agreement</u>

On August 6, 2008 we executed the shareholders' agreement (the "**Teesta SHA**") with TUL and TVPTL in relation to the 1,200 MW Teesta – III hydro electric project (the "**Teesta Project**").
The key terms of the Teesta SHA are set forth below:

- *Share capital and subscription*: The initial authorized equity share capital of TVPTL will be ₹ 2,250 million divided into 225 million equity shares of ₹ 10 each. The initial paid-up capital of TVPTL will be ₹ 500,000 to be contributed by our Company and TUL in the ratio of their shareholding. The Teesta SHA provides that 26% of the paid-up equity share capital of TVPTL will be subscribed and held by our Company while the remaining paid-up equity capital of TVPTL will be subscribed and held by TUL. The parties agree and undertake to subscribe to additional shares offered in proportion to their shareholding. The parties will have the obligation to subscribe to the additional shares within 30 days of the call being made to the shareholders to subscribe to the said shares. In case of a party's failure to fulfil its obligation, it will constitute a material breach of the Teesta SHA giving the other party the following rights:

  (a) the party defaulting party will pay interest at 1% per month for every day of default, and in case of sustained default, that is 60 days beyond the specified date, its entitlement will be offered to the non-defaulting party; and
  (b) the non-defaulting party will also have the right to terminate the Teesta SHA.

- *Board of directors*: The board of directors of TVPTL will comprise not more than 12 directors. As long as we continue to hold 26% of the paid-up equity share capital of TVPTL, our Company will have the right to nominate up to three directors on the board of TVPTL. Further, our Chairman will be the non-executive chairman of TVPTL. TUL will have the right to nominate seven directors on the board of TVPTL as long as it continues to hold at least 74% of the paid-up equity share capital of TVPTL. The managing director of TVPTL will be a nominee of TUL, who will be responsible for the management of day to day affairs of TVPTL. Further, the lenders for the Teesta Project will have a right to nominate two directors on the board of TVPTL.

- *Reserved matters*: So long as we hold at least 10% of the paid-up equity capital of TVPTL, our affirmative vote is required at meetings of the board of directors and shareholders of TVPTL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or

debt or any other interest in any other entity;

(c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;

(d) Utilization of the assets or interests of the company for any purpose other than the business of the company;

(e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the Teesta Project;

(f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Teesta Project including consultancy if the value of such contract exceeds ₹ 500 million. Provided that, contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;

(g) Award of any contract for operation and maintenance of the Teesta Project if the aggregate value of such contract exceeds ₹ 50 million per annum. Provided further, those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;

(h) Pledging or encumbering any of the assets of the company to any third party other than to lenders funding the Teesta Project cost and other than those arising by operation of law;

(i) Change of any significant accounting principles and practices;

(j) Adoption of annual capital and revenue budgets;

(k) Increase or otherwise alteration in the authorized or issued share capital of company;

(l) Appointment or removal of auditors;

(m) Declaration of dividend;

(n) Listing of shares on any stock exchange; and

(o) Disinvestment of shares.

- *Role of parties*: The parties to the Teesta SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of TVPTL so as to ensure that TVPTL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance including transaction of all business on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company and TUL have also undertaken to exercise voting rights at shareholder and board meetings of TVPTL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of TVPTL are conducted in accordance with the Teesta SHA.

- *Financing*: TUL is primarily responsible for ensuring that TVPTL raises capital and other finances required for its business. Our Company is not required to undertake or be party to any guarantee, obligation or otherwise give any security for such raising of finance. Our Company has agreed to pledge its shareholding in TVPTL in case the pledge given by TUL is insufficient to meet the requirement of the lenders.

- *Transfer of shares*: Subject to certain specified exceptions, our Company and TUL cannot transfer any of the shares of TVPTL at any time until the actual commercial operation date of the completed project. Either party may transfer shares of TVPTL after the aforesaid period in the following manner:

  (a) after the actual commercial operation date of the completed project and for a period of 5 years from such date both TUL (including its affiliates) and our Company will have the right to reduce our respective shareholdings in TVPTL in excess of 51% and 10%, of the paid up share capital respectively by transferring such shares to a strategic investor or through a public listing.

(b) after the completion of five years from the actual commercial operation date of the project both TUL (including its affiliates) and our Company will have the right to transfer their respective shares to a strategic investor or through public listing. This is, however, subject to the condition that under no circumstances the shareholding of TUL shall fall below 26%, so long as our Company holds at least 10% of the paid-up capital of TVPTL.

Either party may transfer shares of TVPTL to a strategic partner after the aforesaid periods after giving the right of first refusal to the other party and following the procedures established in the Teesta SHA. If TUL decides to sell its shares in TVPTL through a public listing, it can do so by giving our Company the right to sell a proportionate percentage of its shares to the public on the same terms and conditions by following the procedures established in the Teesta SHA. If our Company decides to sell its shares in TVPTL through a public listing, it can do so by giving TUL the right to sell an equal number of shares to the public on the same terms and conditions by following the procedures established in the Teesta SHA.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or any party committing or knowingly permitting a material breach of any conditions of the agreement which is not cured within the stipulated period, or if our Company ceases to hold at least 10% of the paid-up equity share capital of TVPTL.

B. Implementation and Transmission Service Agreements

TUL has entered into an Implementation Agreement ("**Teesta Implementation Agreement**") dated August 6, 2008 and a Transmission Services Agreement ("**Teesta Transmission Services Agreement**") with TVPTL dated August 6, 2008, for implementation of the Teesta Project.

The Teesta Implementation Agreement provides for matters relating to the development and construction of the Teesta Project by TVPTL and establishes the obligations of each party in relation to the project. The Teesta Implementation Agreement is valid until the date of commercial operation of the Teesta Project or any other date which may be mutually agreed between the parties.

TUL has agreed to purchase the entire transmission capacity of the Teesta Project from TVPTL for a specified transmission charge. The Teesta Transmission Services Agreement is valid until 25 years from the date of issue of the transmission license to TVPTL or such extended period for which the transmission license is extended.

The Teesta Implementation Agreement and the Teesta Transmission Service Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party as specified in the agreements, pursuant to which TVPTL will approach CERC for sale of the Teesta Project.

6. North East Transmission Company Limited ("NETCL")

ONGC Tripura Power Company Limited ("**OTPC**") is setting up a gas-based power project of 726 MW capacity at Pallatana in Tripura. We have entered into a joint venture with OTPC and the Government of Tripura ("**GoT**") for establishing associated transmission system for the above hydro electric project on a BOO basis. The joint venture company NETCL has been incorporated pursuant to this joint venture agreement for the purpose of implementing the above project.

NETCL was incorporated on August 26, 2008 under the Companies Act. NETCL is authorised to engage in the business of building, owning and operating the transmission line associated with the 726.6 MW gas-based combined cycle power project at Pallatana, Tripura. The authorized share capital of NETCL is ₹ 6,000 million divided into 600 million equity shares of ₹ 10 each and the paid up capital of NETCL is ₹ 747.2 million (divided into 74.7 million equity shares of ₹ 10 each). Our

Company holds 23,101,000 equity shares in NETCL, i.e., 30.9% of the issued and paid-up capital of NETCL.

A. Shareholders' Agreement

On February 3, 2009 we executed the shareholders' agreement (the "**OTPC SHA**") with OTPC, GoT and NETCL in relation to the gas-based power project of 726.6 MW capacity at Pallatana in Tripura (the "**Tripura Project**"). The key terms of the OTPC SHA are set forth below:

- *Share capital and subscription*: The initial authorised share capital of NETCL will be ₹ 3,500 million divided into 350 million equity shares of ₹ 10 each. The OTPC SHA provides that 26% of the paid-up equity share capital of NETCL will be subscribed and held by our Company while 64% of the paid-up equity capital of NETCL will be subscribed and held by OTPC and 10% of the paid-up equity capital will be held and subscribed by GoT. After achieving the aforesaid shareholding, OTPC will endeavor to tie-up 38% of the paid-up equity share capital of NETCL from one or more beneficiaries as defined in the OTPC SHA and/or other parties to the agreement so as to achieve the following shareholding (i) OTPC- 26%, (ii) our Company- 26%, (iii) Government of Tripura- 10%; and (iv) beneficiaries/other parties- 38%. The parties agree and undertake to subscribe to additional shares offered in proportion to their shareholding. The parties will have the obligation to subscribe to the additional shares within 30 days of the call being made to the shareholders to subscribe to the said shares. A party's failure to fulfil its obligation, will constitute a material breach of the OTPC SHA requiring the party defaulting party will pay interest at 1% per month for every day of default, and in case of sustained default, that is 60 days beyond the specified date, its entitlement shall be offered to the non-defaulting party. Further, the non-defaulting party will also have the right to terminate the OTPC SHA.

- *Board of directors*: The board of directors of NETCL will comprise not more than 12 directors. As long as our Company continues to hold 26% of the paid-up equity share capital of NETCL, we will have the right to nominate up to three directors on the board of directors of NETCL. Further, our Chairman will be the non-executive chairman of NETCL. OTPC will have the right to nominate three directors on the board of directors of NETCL as long as it continues to hold more than 26% of the paid-up equity share capital of NETCL. A party holding over 15% but less than 25% of the paid-up equity share capital of NETCL is entitled to nominate two directors on the board of directors of NETCL. A party holding over 10% but less than 15% of the paid-up equity share capital of NETCL is entitled to nominate one director on the board of directors of NETCL. Further, a party holding less than 10% of the paid-up equity share capital of NETCL is entitled to nominate one director as an invitee on the board of directors NETCL. The managing director of NETCL will be a nominee of OTPC, who will be responsible for the management of day to day affairs of NETCL. GoT will have the right to nominate one director on the board of NETCL as an invitee. Further, the lenders for the Tripura Project will have a right to nominate two directors on the board of NETCL.

- *Reserved matters*: So long as we hold at least 26% of the paid-up equity capital of NETCL, our affirmative vote is required at meetings of the board of directors and shareholders of NETCL, for the following matters:

  (a) Any amendment to the memorandum or articles of association of the company;
  (b) Dissolution, liquidation, winding up, merger, amalgamation, split, division, sale, transfer or closure of the company or any part of its undertaking or commencement of any new business or entering into a foreign collaboration agreement or acquisition/subscription of shares, or debt or any other interest in any other entity;
  (c) Creation of any subsidiary, acquisition of control either directly or indirectly, of any other company or investing the company's surplus funds exceeding ₹ 50 million at any time;
  (d) Utilization of the assets or interests of the company for any purpose other than the business of

the company

(e) Giving any corporate guarantee for the benefit of any person or business, other than relating to the Tripura Project;
(f) Award of any contract including any amendments thereto for equipment procurement, supply or construction of the Tripura Project including consultancy if the value of such contract exceeds ₹ 500 million, provided that, contracts of an aggregate value exceeding ₹ 500 million awarded to the same entity will also be covered under this paragraph;
(g) Award of any contract for operation and maintenance of the Tripura Project if the aggregate value of such contract exceeds ₹ 50 million per annum, provided further those contracts of an aggregate value exceeding ₹ 50 million awarded to the same entity will also be covered under this paragraph. The above value of ₹ 50 million can be increased depending on the wholesale price index;
(h) Pledging or encumbering any of the assets of the company to any third party other than to lenders funding the Tripura Project cost and other than those arising by operation of law;
(i) Change of any significant accounting principles and practices;
(j) Adoption of annual capital and revenue budgets;
(k) Increase or otherwise alteration in the authorized or issued share capital of company;
(l) Appointment or removal of auditors;
(m) Declaration of dividend;
(n) Listing of shares on any stock exchange; and
(o) Disinvestment of shares.

- *Role of parties*: The parties to the OTPC SHA are required to exercise their powers as shareholders and cause the exercise of the powers by their nominees in meetings of the board of directors of NETCL so as to ensure that NETCL carries on its business in a proper and efficient manner and also to ensure compliance with certain specified principles of good corporate governance including transaction of all business on an arms length basis and in accordance with the policies established by the board of directors from time to time. Our Company, OTPC and the GoT have also undertaken to exercise voting rights at shareholder and board meetings of NETCL so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of NETCL are conducted in accordance with the OTPC SHA.

- *Financing*: NETCL will have to obtain 80% of the Tripura Project from financial institutions. The parties are aware that there are limitations placed on our Company with regard to pledging its shares resulting from our previous agreements with World Bank and Asian Development Bank. Hence, any pledge, if so required for security, will be with the prior consent of the above banks.

- *Transfer of shares*: Subject to certain specified exceptions, our Company, OTPC and the GoT cannot transfer any of the shares of NETCL for a period of two years from the date of actual commercial operation of the project. The parties to the Tripura SHA however, will be entitled to transfer any of its shares in NETCL after the above lock-in period provided that the other shareholders are first given the right of first refusal.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, either party's failure to meet its payment obligations towards equity contribution in case of offer of additional shares.

B. Implementation and Transmission Service Agreement

NETCL has entered into an Implementation and Transmission Service Agreement ("**ITS Agreement**") dated February 3, 2009 with Assam Electricity Grid Corporation Limited, Tripura State Electricity Corporation Limited, Meghalaya SEB, Electricity Department (Government of Manipur), Department of Power (Government of Nagaland), Power & Electricity Department (Government of

Mizoram), Department of Power (Government of Mizoram) and OTPC (collectively, "**the Beneficiaries**"), for the implementation of the Tripura Project.

The ITS Agreement provides for matters relating to the development and construction of the Tripura Project by NETCL and establishes the obligations of each party in relation to the project. The Beneficiaries have agreed to purchase the entire transmission capacity of the Tripura Project from NETCL for a specified transmission charge. The ITS Agreement is valid until the date of commercial operation of the Tripura Project or any other date which may be mutually agreed between the parties for the part dealing with the implementation of the project; and is valid for a period of 25 years for the part dealing with the operation and maintenance of the project.

The ITS Agreement may be terminated by either party to the agreement on the occurrence of an event of default by the other party as specified in the agreements.

7. National High Power Test Laboratory Private Limited ("NHPTL")

The MoP in its meeting dated September 1, 2008 had proposed the setting up of a joint venture to be co-promoted by our Company, NHPC, NTPC and Damodar Valley Corporation ("**DVC**"), for setting up a short circuit testing facility and other facilities as may be required.

Consequently, our Company entered into a joint venture agreement dated April 8, 2009 with NHPC, NTPC and DVC to jointly incorporate a private limited company to set up a laboratory for short circuit testing and other facilities and to pursue its objects as elaborated in the memorandum of association of the NHPTL.

NHPTL was incorporated on May 22, 2009 under the Companies Act. NHPTL is authorised to engage in the business of planning, promoting, organizing, establishing, constructing, integrating, and developing on-line high power test laboratory facility in India and/or abroad for testing and certification of short circuit and other testing of electrical equipments. The authorised share capital of NHPTL is ₹ 300 million divided into 30 million equity shares of ₹ 10 each and the paid up capital of NHPTL is ₹ 35 million (divided into 3.5 million equity shares of ₹ 10 each). Our Company holds 875,000 equity shares in NHPTL, i.e. 25% of the issued and paid-up capital of NHPTL. In addition to above 600,000 shares have been received by our Company, however, as on date, they are yet to be allotted.

A. Joint Venture Agreement

On April 8, 2009 we executed a joint venture agreement with NTPC, NHPC and DVC in relation to the incorporation of NHPTL (the "**NHPTL JVA**"). The NHPTL JVA provides that the joint venture company will be incorporated as a private limited company with the registered office in the National Capital Territory of New Delhi. The parties to the NHPTL JVA will fully cooperate with each other with regard to planning and implementation of 'online high power test laboratory'.

The key terms of the NHPTL JVA are set forth below:

- *Share capital and subscription*: The initial authorised share capital of NHPTL will be ₹ 100 million divided into 10,000,000 equity shares of ₹ 10 each. The authorised share capital will be subsequently enhanced up to an amount of ₹ 830 million as and when necessary in accordance with the provisions of the articles of association of NHPTL. The initial paid up capital of NHPTL will be ₹ 10 million comprising 1,000,000 equity shares of ₹ 10 each. The NHPTL JVA provides that 25% of the paid up equity share capital of NHPTL will be subscribed each by our Company, NTPC, NHPC and DVC. The equity shareholding will also be inclusive of the shares held by affiliates/associates of the respective shareholders. If at anytime NHPTL decides to increase its authorised and issued share capital then the parties to the NHPTL JVA will be under contractual obligation to subscribe to such issued share capital in proportion to their respective shareholding. However, no shareholder (including their associates or affiliates), at any point of time, will hold more than 40% of the paid-up share capital of NHPTL. In the event of non-subscription of equity by any of the parties to the NHPTL JVA, the share of capital contribution of such non-subscribing party will be paid by each remaining party in proportion to its agreed shareholding.

- *Board of directors:* The board of directors will comprise not less than four and not more than 15 directors. The parties are entitled to nominate one director each on NHPTL's board, irrespective of the quantum of their shareholding, provided the shareholding of each party does not fall below 10% of the NHPTL's equity paid-up share capital. All directors appointed will be part-time directors. The non executive chairman will be amongst the board of directors of NHPTL for a period of one year and shall be rotated every year amongst the parties. The first chairman will be nominated by NTPC and subsequently by our Company, NHPC and DVC in order of sequence.

- *Reserved matters*: Neither the board of directors of NHPTL nor a committee thereof, nor its chief executive officer, nor any other person acting on behalf of NHPTL will take any action with respect to the following except with the affirmative vote of a majority of directors; and which majority will include affirmative vote of at least one director nominated by each party to the agreement:

  (a) The annual revenue budget of NHPTL;
  (b) The 'five year annual plans' of development, the capital budget of the NHPTL and processing of any modernization, expansion schemes including programme of capital expenditure or purchase of capital equipment which exceeds ₹ 100 million;
  (c) Winding up of NHPTL;
  (d) Any matter relating to the transfer, sale, lease, exchange, mortgage and/or disposal otherwise of the whole or substantially the whole, of the undertaking of NHPTL or part thereof;
  (e) Increase or otherwise alteration in the authorised or issued share capital of NHPTL;
  (f) Induction of new investors;
  (g) Taking of any loan or other borrowing or issue of any debt or other instrument or security carrying the right or option to convert the whole or part thereof or any such instrument or security, as the case may be, or any accrued interest thereon into the shares of NHPTL;
  (h) Any matter relating to:

    (i) The promotion of new company/company(ies) including formation of subsidiary company(ies);
    (ii) Entering into partnership and/or arrangement of sharing profits;
    (iii) Taking or otherwise acquiring and holding shares in any other company;
    (iv) Pledging or encumbering any assets of NHPTL and the issuance of corporate guarantee (other than trade warranties) or incurring of usual liability, except as set forth in the annual operating and capital budgets or as required for the procurement of working capital needs or as may be required by any government authorities or for any tax purposes.
    (v) Recommendations/approvals of dividend by the company; and
    (vi) Arrangement involving foreign collaboration proposed to be entered into by the company.

  (i) Change in the name of NHPTL; and
  (j) Entering into any profit sharing, or any share option or other similar schemes for the benefit of the officers and other employees of NHPTL.

- *Financing*: NHPTL shall meet its own financial requirements without recourse to the parties. It will not be obligatory for the parties to give any guarantee and security for raising of funds by

NHPTL. The parties' financial liability to this agreement will be limited to any unpaid amount of the share capital agreed to be subscribed to by the parties in the agreed proportion. The project is proposed to be financed at a debt equity ratio of 60:40.

- *Competition*: No party, directly or through its affiliates or associates will compete with the business activities of NHPTL without the prior written consent of all the remaining parties. NHPTL will not take up any renovation and modernization business in power plants in India and the SAARC countries.

- *Transfer of shares*: Unless otherwise mutually agreed, none of the parties will transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights in NHPTL for an initial lock-in period of five years from the date of incorporation of the NHPTL or establishment of the laboratory, whichever is later. After the lock-in period, no party will sell or otherwise transfer all or any part of the shares owned by it in NHPTL to any person not being an affiliate or associate unless such shares have first been offered to the remaining parties in proportion to their respective shareholding.

- *Termination*: The agreement may be terminated by the parties' mutual written consent, any party going into liquidation or insolvency, or any party committing or knowingly permitting a material breach of any conditions of the agreement which is not cured within the stipulated period. Further, if a party ceases to hold at least 10% of the paid-up equity share capital of NHPTL, all rights of such party under the NHPTL JVA will cease.

- *Role of parties*: The parties to the NHPTL JVA will provide full support so as to make NHPTL a self sustained business entity and a leading organization in its field with a view to improving the profitability of NHPTL's operations and generally to strengthen the operation base of NHPTL. The parties shall fully cooperate with each other with regard to planning and implementation of 'online high power test laboratory'. The parties have also undertaken to exercise their voting rights so as to ensure that the provisions of this agreement are fully complied with, implemented and given effect to.

8. Energy Efficiency Services Limited ("EESL")

The Government of India ("**GoI**") set up the Bureau of Energy Efficiency ("**BEE**") on March 1, 2002, under the provisions of Energy Conservation Act, 2001 as a quasi-regulatory body, with a view to regulate and reduce the energy intensity of the Indian economy. BEE mooted the proposal for the incorporation of a company with the name 'Energy Efficiency Services Limited' as an implementation arm of the National Mission of Enhanced Energy Efficiency, which is a part of the National Action Plan on Climate Change. The Secretary, MoP, decided on July 6, 2009 that all promoting Central Public Sector Undertakings ("**CPSU**") will subscribe to equal equity participation, which is ₹ 475 million each, for creating EESL. Consequently, we have entered into a joint venture agreement with NTPC Power Finance Corporation Limited ("**PFC**") and REC.

EESL was incorporated on December 10, 2009 under the Companies Act. EESL is authorised to engage in the business of carrying on and promoting the implementation of energy efficiency projects in India and abroad. The authorised share capital of EESL is ₹ 1,900 million divided into 190 million equity shares of ₹ 10 each and the paid-up capital of EESL is ₹ 1,000.0 million (divided into 100.0 million equity shares of ₹ 10 each). As on September 30, 2010 our Company holds 625,000 equity shares in EESL and on allotment of further equity shares for which share subscription money has already been paid, our Company will hold 25,000,000 equity shares in EESL, i.e., 25.0% of the issued and paid up capital of EESL.

On November 19, 2009, our Company executed a joint venture agreement with NTPC, PFC and REC in relation to the incorporation of EESL (the "**EESL JVA**"). The EESL JVA provides that the joint venture company will be incorporated as a public limited company with the registered office in the National Capital Territory of New Delhi. The parties have agreed to fully cooperate with each other with regard to planning and implementation of 'energy efficiency and energy conservation' projects in India and abroad.

The key terms of the EESL JVA are set forth below:

- *Share capital and subscription*: The initial authorised share capital of EESL will be ₹ 100 million divided into 10,000,000 equity shares of ₹ 10 each. The authorised share capital will be subsequently enhanced up to an amount of ₹ 1,900 million as and when necessary in accordance with the articles of association of EESL and the provisions of the EESL JVA. The initial paid up capital of EESL will be ₹ 25 million comprising 2,500,000 equity shares of ₹ 10 each. Our Company, NTPC, PFC and REC will each subscribe to and hold 25% of the paid up equity share capital of EESL shall. The equity shareholding will be inclusive of equity shares held by affiliates/associates of the respective shareholders. We will maintain our shareholding at this level by subscribing to any future issue of equity shares of EESL, in proportion to our current share holding. However, no shareholder, at any point of time, will hold more than 40% of the paid-up share capital of EESL. In the event of non-subscription of equity by any of the parties to the EESL JVA, the share of capital contribution of such non-subscribing party will be paid by each remaining party in proportion to its agreed shareholding.

- *Board of directors*: Initially, the board of directors will comprise six directors. The total strength of the board of directors will be between four and 15 directors. As long as any shareholder holds at least 10% of the paid-up equity share capital of EESL, such shareholder will have the right to nominate a director on the board of directors of EESL and shall also determine the period for which its respective nominees will hold office. All directors are to be appointed as part-time directors. Nomination of the non-executive chairman, to be appointed for a period of two years, will be rotated amongst our Company, NTPC, PFC and REC with NTPC nominating the first chairman. Further, the MoP will have the right to nominate two part-time directors on the board of EESL.

- *Reserved matters*: Neither the board of directors of EESL nor a committee thereof, nor its chief executive officer, nor any other person acting on behalf of EESL will take any action with respect to the following matters except with the affirmative vote of the a majority of directors and which majority will include the affirmative vote of at least one director nominated by each party to the agreement:

  (a) The annual revenue budget of EESL;
  (b) The 'five year annual plans' of development, the capital budget of the EESL and processing of any modernization, expansion schemes including programme of capital expenditure or purchase of capital equipment which exceeds ₹ 100 million;
  (c) Winding up of EESL;
  (d) Any matter relating to the transfer, sale, lease, exchange, mortgage and/or disposal otherwise of the whole or substantially the whole, of the undertaking of ESSL or part thereof;
  (e) Increase or otherwise alteration in the authorised or issued share capital of ESSL;
  (f) Induction of new investors;
  (g) Taking of any loan or other borrowing or issue of any debt or other instrument or security carrying the right or option to convert the whole or part thereof or any such instrument or security, as the case may be, or any accrued interest thereon into the shares of EESL;
  (h) Change in the name of EESL;
  (i) Entering into any profit sharing, or any share option or other similar schemes for the benefit of the officers and other employees of EESL; and

(j) Any matter relating to:

(i) The promotion of new company/company(ies) including formation of subsidiary company(ies);
(ii) Entering into partnership and/or arrangement of sharing profits;
(iii) Taking or otherwise acquiring and holding shares in any other company; and
(iv) Pledging or encumbering any assets of EESL and the issuance of corporate guarantee (other than trade warranties) or incurring of usual liability, except as set forth in the annual operating and capital budgets or as required for the procurement of working capital needs or as required by any government authorities or for any tax purposes.

- *Role of parties*: The parties to the EESL JVA have agreed to provide full support so as to make EESL a self sustained business entity and a leading organization in its field and related activities with a view to improving the profitability of EESL's operations and generally to strengthen the operation base of EESL. The parties have agreed to fully cooperate with each other with regard to planning and implementation of 'energy efficiency and energy conservation' projects in India and abroad. The parties have also undertaken to exercise their voting rights so as to ensure that the provisions of this agreement are fully complied with, implemented and given effect to.

- *Transfer of shares*: Unless otherwise mutually agreed, none of the parties will transfer or otherwise encumber its shareholding in EESL for a period of five years from the date of incorporation, provided that if any party intends to transfer any equity shares to a third party, the selling party is required to first offer such equity shares to the remaining parties in proportion to their shareholding, at book or fair value, whichever is higher. If the non-selling parties do not accept the offer, the selling party will be entitled to transfer the offered equity shares to the proposed transferee on terms no more favourable and at no higher price than those offered to the non-selling party. If the selling party fails to transfer the offered equity shares to the proposed transferee within 90 days of it becoming entitled to sell the shares to any person, such selling party will again be required to first offer the equity shares to a party to the agreement.

- *Termination of rights*: If any party ceases to hold at least 10% of the paid-up share capital of EESL, all rights of such party under the agreement will terminate. The non exiting parties will have an obligation to purchase and/or to name a purchaser of all the shares and any financial interest of the exiting party, at a fair value determined by an independent chartered accountant.

- *Competition*: EESL will not take up any renovation and modernization business in power plants in India and the SAARC countries.

9. Powergrid IL&FS Transmission Private Limited ("PITPL")

Pursuant to a proposal submitted by Infrastructure Leasing & Financial Services Limited ("**IL&FS**") to our Company for jointly undertaking development of transmission/sub-transmission projects, and transmission system with neighbouring countries outside India as well as SPUs within India, we have entered into a joint venture with IL&FS for establishing the joint venture company that will undertake activities of project development of intra-state transmission and sub-transmission works for SPUs and projects outside India (the "**IL&FS Development Project**").

PITPL was incorporated on November 27, 2007 under the Companies Act. PITPL is authorised to engage in the business of transmission projects and transmission systems. The authorised share capital of PITPL is ₹ 0.5 million divided into 50,000 equity shares of ₹ 10 each and the paid up capital of PITPL is ₹ 0.5 million (divided into 50,000 equity shares of ₹ 10 each). Our Company holds 25,000 equity shares in PITPL, i.e., 50% of the issued and paid-up capital of PITPL.

A. Shareholders' Agreement

Our Company, IL&FS and PITPL have entered into shareholders' agreement dated January 11, 2008, in relation to the IL&FS Development Project. ("**IL&FS SHA**").

The key terms of the IL&FS SHA are set forth below:

- *Share capital and subscription*: Our Company will subscribe to and hold 50% of the paid-up equity share capital of PITPL while the remaining paid-up equity share capital of PITPL will be subscribed to and held by IL&FS. We have the right to maintain our shareholding at this level by subscribing to any future issue of shares of PITPL, in proportion to our current share holding. Unless the parties have accorded their consent in writing, any further issue of equity shares will be made in such manner so as to ensure that the participation by the parties at all times remain in the same proportion. Neither of the parties will without the written consent of the other party alter its shareholding in PITPL.

- *Board of directors:* The board of directors of PITPL will comprise a number of directors in accordance with their memorandum and articles of association. The initial number of directors will be four directors of which our Company and IL&FS each will have the right to nominate two directors on the board of PITPL. Further, the Chairman will be from amongst the directors nominated by our Company. The managing director of PITPL will be from amongst the directors nominated by IL&FS. The chairman and the managing director so appointed will enjoy a term of three years. The nomination of the chairman and managing director will rotate between our Company and IL&FS for each term. Moreover, any shareholder apart from IL&FS and PGCIL is entitled to nominate one director if its aggregate shareholding is not less than 10%.

- *Reserved matters*: The affirmative vote of at least one director nominated by our Company and IL&FS is required at the meetings of the board of directors of PITPL, for the following matters:

  (a) Any change in the share capital structure of the company including but not limited to any consolidation, sub-division or conversion of any of the company's share capital or any alteration of any of the rights attached to the shares or subscription and payment of share capital or issue of shares with different rights;
  (b) Any change in the major activities or scope of the business of the Company;
  (c) The provision of any corporate guarantees or the creation of any mortgage, charge, lien or any other encumbrance on any assets of the company in favour of a third party;
  (d) Sale, transfer, lease, assign or disposal of any material property and/or assets of the company (other than transfer of a project to a project SPV and the selection of an implementing agency and vesting of a project with such implementing agency and sale of shares in a project SPV to the implementing agency) for any interest therein or contract so to do otherwise than in the ordinary course of business;
  (e) Establishment of subsidiaries or acquisition of, or investment in any other company or legal entity;
  (f) Recommendation of any form of financial restructuring (including initial public offer) or recommendation of dissolution of the company except when otherwise required by applicable law;
  (g) Approval of any contract/agreement to be entered by the company or any expenditure of value in excess of ₹ 0.5 million;
  (h) Appointment of directors;
  (i) Further issuance of equity shares of the company;
  (j) Appointment/removal of auditors;
  (k) Shares buy back by the company;
  (l) Approval of foreign collaboration;

(m) Declaration of dividends;
(n) Changes in accounting policies; and
(o) Investment of funds of the company.

- *Role of parties*: IL&FS will facilitate access to alternate sources of finance for the project development fund and perform investment banking studies, formulate strategies to promote the project and procure a private/public sector developer for the project. Our Company will provide technical guidance and project development specification to the projects undertaken by PITPL.

- *Financing*: The parties to the IL&FS SHA have agreed to set up a project development fund of ₹ 100 million and to contribute jointly, in equal proportion, for the capital requirements of PITPL.

- *Transfer of shares*: Either shareholder may transfer its shares in PITPL to any third party if the shareholder obtains the prior written approval of the other shareholder and the transferee of the shares agrees to be bound by the IL&FS SHA by executing a deed of adherence. Any attempt to transfer any of the shares issued to the parties in contravention of the IL&FS SHA shall be void. Further, either party may transfer shares of PITPL after giving the right of first refusal to the other party and following the procedures established in the IL&FS SHA. If the other party declines the offer so made, the other party will have a "tag-along" right, should the transferring shareholder sell the offered shares to a third party.

- Competition: PITPL will not during the term of the IL&FS SHA, without prior consent of the parties, carry on or be engaged or approach any business opportunity which is in direct competition or which is otherwise being pursued by either of the parties.

PITPL has on March 31, 2010 filed an application with the RoC under Section 560 of the Companies Act for the declaration of PITPL as a defunct company. The application is pending with the RoC.

Proposed Joint Ventures

For the establishment of the Dhalkebar-Bathanaha section of 400KV Muzaffarpur-Dhalkebar Indo-Nepal cross-border transmission line:

(i) The Board in its meeting dated January 6, 2010, approved 26% equity participation by our Company in the joint venture company, Power Transmission Company Nepal Limited, to be incorporated in Nepal; and

(ii) The Board in its meeting dated August 24, 2009, approved 26% equity participation by our Company in the joint venture company, Cross Border Power Transmission Company Limited, to be incorporated in India.

Entities in which our Company has substantial investment

Our Company presently owns 4.1% of the equity share capital of PTC India Limited (formerly known as Power Trading Corporation of India Limited) ("**PTC**"). PTC was incorporated as a joint venture company on April 16, 1999, under the Companies Act, and received its certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, selling, importing, exporting, trading all forms of electricity power and ancillary services. Initially, PTC was promoted by PFC, NTPC and our Company, pursuant to a promoters' agreement dated April 8, 1999. NHPC also became a promoter of PTC through a supplementary agreement dated November 29, 2002. Under the promoters' agreement, for as long as we hold 8.0% of the equity shares of PTC, our Company has the right to nominate one part-time director on the board of directors of PTC and the consents of PFC, NTPC, our Company and NHPC are required for the appointment of the chairman or chairman and managing director or managing director or any whole-time director of PTC.

Other Material Agreements

MoP MoU

We enter into an annual memorandum of understanding with the MoP ("**MoP MoU**"), which provides for the exercise of enhanced autonomy by, and delegation of financial powers to, our Company. The MoP MoU for the year 2010-2011 allows us to raise bonds and other loans to the extent of ₹ 7,000 million for timely implementation of our projects. It also gives us the option to regulate power supply to defaulting beneficiaries within the framework of the generic procedure notified by CERC. The MoP MoU also establishes detailed performance evaluation parameters and targets against which our performance is to be evaluated. The parameters include financial performance indicators, financial returns, quality, customer satisfaction, business development, commercial targets, environment and social management, environment and social assessment of new projects and inventory management. The MOP MoU for the year 2010-2011 lists the commitment and assistance to be received from the GoI, which include matters such as realization of dues from beneficiaries, discussions with the MoEF for expeditious clearance of projects to avoid delays in their timely execution, assistance for extending deemed export benefits for the projects proposed to be funded through external commercial borrowings or supplier's credit and assistance for extending benefits available under Mega Power Project Status to the transmission projects associated with such generation projects and transmission projects required for the establishment of the proposed National Power Grid. Under the MoP MoU, we are required to submit quarterly reports on various performance areas within 30 days of the end of the quarter and our Board is required to ensure quarterly internal monitoring of the performance against the MoP MoU targets. The MoP MoU will be in force and operational beyond 2010-2011 until it is modified by the signing of the subsequent memorandum of understanding with the MoP.

REC MoU

Our Company and REC have entered into a memorandum of understanding dated July 14, 2004, for the implementation of projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana ("**Rural Electrification Programme**") for accelerated electrification of rural households to be undertaken in association with the concerned state government and state power utility ("**REC MoU**").

Projects to be undertaken under the Rural Electrification Programme on the basis of proposals received from the concerned State Government and state utilities. These projects will be funded by REC from funds sanctioned to the State Government under the Rural Electrification Programme, and all such funds released by the REC for the identified projects will be deemed to be drawn by the concerned state government. Our Company is required to implement the distribution works under the respective projects on a deposit work basis and is responsible for their formulation, development and implementation (in accordance with guidelines, specifications and construction standards stipulated by REC) in a time-bound manner and in accordance with agreed competitive bidding procedures. On completion, the projects will be taken over by the concerned State Government/state power utility. However, if the concerned State Government or state power utility so desire, our Company may take up the operation and management of the completed projects under a separate agreement with them. Further, if the concerned State Government or state power utility so desire, the role of our Company may be limited to project monitoring and supervision of quality of construction, formulation and preparation of project reports, arranging required project approvals, providing advisory support during procurement and supervision of quality of construction. Our Company is entitled to a service charge of 12% of the project cost for Xth plan projects and 9% of the project cost for XIth plan projects, if we are involved in the implementation of the project. If our scope of work is limited to project monitoring and supervision of the work during construction, or formulation of project reports and project monitoring and supervision of the work during construction, we are entitled to charge 2% and 5% of the project cost respectively. In each case, any statutory dues payable by our Company will be reimbursed out of the funds sanctioned by REC. Our Company is also required to maintain separate accounts for development and implementation of each such project.

Pursuant to the REC MoU, our Company is involved with rural electrification projects in nine states and has entered into quadruplicate agreements involving REC, the concerned State Government and the concerned state power utility for each such project ("**DMS Agreements**"). Pursuant to the DMS Agreements, our Company is implementing such projects in certain specified geographical areas as per the mutual understanding between the parties. The respective SPUs are required to provide all relevant geographical, technical and other data to our Company for implementation of the project. The land necessary to facilitate construction and commissioning of the projects and any statutory clearances will be provided by the state power utility. The state power utility will also obtain any approvals required for the project. Any disputes arising out of the DMS Agreements will be settled amicably between the parties, failing which such disputes will be referred to the Secretary, MoP, whose decision will be final and binding on the parties concerned. The DMS Agreements remain valid unless terminated by mutual consent of the respective parties. The list of the DMS Agreements our Company is a party to, as on the date of this Red Herring Prospectus, is set forth below:

S. No.	State Government	State Utility Company	Date of Agreement
1.	Government of Chhattisgarh	Chhattisgarh SEB	November 16, 2005
2.	Government of Tripura	Tripura SEB	October 31, 2005
3.	Government of Odisha	Central Electricity Supply Company of Orissa Limited	October 5, 2005
4.	Government of Odisha	Southern Electricity Supply Company of Orissa Limited	October 5, 2005
5.	Government of Odisha	North Eastern Electricity Supply Company of Orissa Limited	October 5, 2005
6.	Government of Odisha	Western Electricity Supply Company of Orissa Limited	October 5, 2005
7.	Government of Assam	Assam SEB	September 29, 2005
8.	Government of Rajasthan	Jaipur Vidyut Vitran Nigam Limited	September 14, 2005
9.	Government of Rajasthan	Ajmer Vidyut Vitran Nigam Limited	September 14, 2005
10.	Government of Rajasthan	Jodhpur Vidyut Vitran Nigam Limited	September 14, 2005
11.	Government of Gujarat	Dakshin Gujarat Vij Company Limited	September 8, 2005
12.	Government of Bihar	Bihar SEB	August 5, 2005
13.	Government of West Bengal	West Bengal SEB	June 24, 2005
14.	Government of Uttar Pradesh	Poorvanchal Vidyut Vitran Nigam	July 13, 2005
15.	Government of Uttar Pradesh	Madhyanchal Vidyut Vitran Nigam	July 13, 2005
16.	Government of Bihar	Bihar SEB	October 20, 2004

Collaborations

Our Company has not entered into any collaboration with any third party as per paragraph (VIII) (B) (1) (c) of Part A, Schedule VIII of the SEBI Regulations.

Strategic Partners

Our Company has not entered into any arrangements with any strategic partners within the meaning of the SEBI Regulations.

Financial Partners

Apart from our various arrangements with our lenders and bankers, which we undertake in the ordinary course of our business, our Company does not have any other financial partners within the meaning of the SEBI Regulations.

OUR MANAGEMENT

Under our Articles of Association, we are required to have not less than four directors and not more than 18 directors. Our Board presently comprises 14 Directors out of which five are our whole-time Directors, two Directors are nominees of the GoI and seven are independent Directors.

The following table sets out the details regarding our Board of Directors as of the date of this Red Herring Prospectus:

Name, Father's Name, Designation, Occupation, DIN and Nationality	Age	Address	Other Directorships
Mr. S.K. Chaturvedi **Father's Name:** Mr. Gauri Shankar Chaturvedi **Designation:** Chairman and Managing Director **Occupation:** Service **DIN:** 00007840 **Nationality:** Indian	59	Bungalow No. FF1, Powergrid Residential Township, Complex, Sector-43, Gurgaon 122 002 Haryana.	• Powerlinks Transmission Limited • Torrent Powergrid Limited • Jaypee Powergrid Limited • Parbati Koldam Transmission Company Limited • Teesta Valley Power Transmission Limited • North East Transmission Company Limited • Power System Operation Corporation Limited • Powergrid IL&FS Transmission Private Limited
Mr. J. Sridharan **Father's Name:** Mr. K.J. Subramanian **Designation:** Director (Finance) - Whole-time **Occupation:** Service **DIN:** 00245043 **Nationality:** Indian	59	Bungalow No. GG3, Powergrid Residential Township Complex, Sector – 43, Gurgaon 122 002 Haryana.	• Energy Efficiency Services Limited • Powergrid IL&FS Transmission Private Limited • Power System Operation Corporation Limited • Byrnihat Transmission Company Limited
Mr. V.M. Kaul **Father's Name:** Late Mr. Dwarka Nath Kaul **Designation:** Director (Personnel) - Whole-time **Occupation:** Service **DIN:** 00015245	58	485, Mandakini Enclave, New Delhi 110 019	• Byrnihat Transmission Company Limited • Nuclear Power Corporation of India Limited

Name, Father's Name, Designation, Occupation, DIN and Nationality	Age	Address	Other Directorships
Nationality: Indian			
Mr. R.N. Nayak **Father's Name:** Mr. Krushna Charana Nayak **Designation:** Director (Operations) - Whole-time **Occupation:** Service **DIN:** 02658070 **Nationality:** Indian	55	Bungalow No. GG2, Powergrid Residential Township, Complex, Sector-43, Gurgaon 122 002 Haryana.	• PTC India Limited • Power System Operation Corporation Limited
Mr. I.S. Jha **Father's Name:** Late Mr. Sita Ram Jha **Designation:** Director (Projects) - Whole-time **Occupation:** Service **DIN:** 00015615 **Nationality:** Indian	51	House No. 654, Sector 10 A, Gurgaon 122 001, Haryana.	• Powerlinks Transmission Limited • Byrnihat Transmission Company Limited
Dr. M. Ravi Kanth **Father's Name:** Mr. Benzaiah Medithi **Designation:** Government Nominee Director **Occupation:** Service **DIN:** 01612905 **Nationality:** Indian	49	D-II/25, Shahjahan Road, New Delhi 110 011	NIL
Mr. Rakesh Jain **Father's Name:** Mr. Kailash Chand Jain **Designation:** Government Nominee Director **Occupation:** Service **DIN:** 02682574	53	D-II/62, Kaka Nagar, New Delhi 110 003	• Power Finance Corporation Limited • NHPC Limited • NTPC Limited • Energy Efficiency Services Limited

Name, Father's Name, Designation, Occupation, DIN and Nationality	Age	Address	Other Directorships
Nationality: Indian			
Mr. S.C. Tripathi **Father's Name:** Mr. Harish Chandra Pati Tripathi **Designation:** Independent Director **Occupation:** Service-Retired **DIN:** 00941922 **Nationality:** Indian	64	House No. 27, Sector – 15A, Noida, 201 301, Uttar Pradesh	• Indusind Bank Limited • Shipping Corporation of India Limited • Gammon Infrastructure Projects Limited • IL&FS Infrastructure Development Corporation Limited • IL&FS Energy Development Company Limited • Kailash Healthcare Limited • Reliance Capital Asset Management Company Limited
Mr. Ashok Khanna **Father's Name:** Mr. Manohar Lal Khanna **Designation:** Independent Director **Occupation:** Industrialist **DIN:** 01510677 **Nationality:** Indian	62	House No. 765, Sector – 8B, Chandigarh 160 009	• Khanna Watches Limited • K – Watch Limited • Khanna Quartz Limited • Ansal Housing & Construction Limited • Worldwide Immigration Consultancy Services Limited • Nirvana Biosis Private Limited
Mrs. Sarita Prasad **Father's Name:** Mr. Harbans Lal Pandit **Designation:** Independent Director **Occupation:** Service-Retired **DIN:** 02288208 **Nationality:** Indian	64	C-622 (Ground Floor), New Friends Colony, New Delhi 110 025	NIL
Dr. P.K. Shetty **Father's Name:** Mr. P. Shetty **Designation:** Independent Director	48	386, Krishna, 4th Cross, I Block, R. T. Nagar, Bangalore 560 032	Nil

Name, Father's Name, Designation, Occupation, DIN and Nationality	Age	Address	Other Directorships
Occupation: Academic **DIN:** 01661260 **Nationality:** Indian			
Dr. A. S. Narag **Father's Name:** (Late) Mr. J.S. Narag **Designation:** Independent Director **Occupation:** Academic **DIN:** 016677040 **Nationality:** Indian	64	24, Cavalry Lines, University Campus, Delhi 110 007	Nil
Mr. Anil K. Agarwal **Father's Name:** Mr. S.S. Agarwal **Designation:** Independent Director **Occupation:** Business **DIN:** 00000100 **Nationality:** Indian	55	House No. A-1, Anand Niketan, New Delhi 110 021	• Cosmos International Limited • Cosmos Biosciences Private Limited • Maytas Infra Limited
Mr. F. A. Vandrevala **Father's Name:** Mr. A. Vandrevala **Designation:** Independent Director **Occupation:** Service **DIN:** 00956609 **Nationality:** Indian	60	1802-18th floor, Evita, Central Avenue, Hiranandani Garden, Powai, Mumbai 400 076, Maharashtra	• Hirco Development Private Limited • Power System Operation Corporation Limited

None of the Directors are related to each other. There are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the Directors were selected as a Director or member of the senior management.

Brief Profile of our Directors

Mr. S. K. Chaturvedi, aged 59 years, is the Chairman and Managing Director of our Company. He graduated with a Bachelor of Natural Science and Geology and a Masters of Science of (Geology) degree from the University of Lucknow, Uttar Pradesh. He also holds a Post Graduate Diploma in Personnel Management and Industrial Relations from Andhra Pradesh Productivity Council. During his career spanning 30 years, he has been involved in diverse fields such as human resources management, industrial relations and organizational development. Prior to joining our Company, he has worked for Steel Authority of India Limited, NTPC and NHPC. He joined our Company on August 16, 1991 and was appointed Chairman and Managing Director in August 2008.

Mr. J. Sridharan, aged 59 years, is the Director (Finance) of our Company. He graduated with a Bachelor in Commerce degree from Madras University. He is a member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He has 35 years of work experience primarily in financial management. Prior to joining our Company, on January 10, 2000, he has worked in organizations including the Airport Authority of India and Bharat Heavy Electricals Limited. He was appointed as a Director on our Board in December 2005.

Mr. V. M. Kaul, aged 58 years, is the Director (Personnel) of our Company. He graduated with a Bachelor of Mechanical Engineering from Indian Institute of Technology, New Delhi, and also holds a Masters in Business Administration degree from Indira Gandhi National Open University. He has 37 years of work experience primarily in the power sector. Prior to joining our Company on March 11, 2002, he has worked in NTPC and Engineers India Limited. He was appointed as a Director on our Board in March 2009.

Mr. R. N. Nayak, aged 55 years, is the Director (Operations) of our Company. He graduated with a Bachelor of Science (Electrical Engineering) from REC, Rourkela, and also holds an M.Tech (Electrical) degree from Indian Institute of Technology, Kharagpur. He has been awarded the P.M. Ahluwalia Award for his contributions to the power sector. He is also a Senior Member of Institute of Electric and Electronic Engineers and has also been honored as a Fellow of the Indian National Academy of Engineering. He has 32 years of work experience primarily in the power sector. Prior to joining our Company on January 21, 1991, he has worked in NTPC and Steel Authority of India Limited. He was appointed as a Director on our Board in May 2009.

Mr. I. S. Jha, aged 51 years, is the Director (Projects) of our Company. He graduated with a Bachelor of Science (Electrical Engineering) from NIT, Jamshedpur. He has 29 years of work experience primarily in the power sector. Prior to joining our Company on August 16, 1991, he has worked with NTPC. He was appointed as a Director on our Board in September 2009.

Dr. M. Ravi Kanth, aged 49 years, is a government nominee Director of our Company. He holds a Bachelors degree in Law degree from Delhi University, a Masters degree in Economics from Andhra University, Visakhapatnam and also a Masters in Business Administration from Melbourne, Australia. He has been a part of the IAS since 1986 and is presently Joint Secretary (Transmission) in the MoP. He has previously also held the post of Chairman and Managing Director in National Handicapped Finance and Development Corporation, Ministry of Social Justice and Empowerment. He was appointed as a Director on our Board in December 2009.

Mr. Rakesh Jain, aged 53 years, is a government nominee Director of our Company. He holds a Masters degree in Physics from Delhi University. He has been a part of the Indian Audit and Accounts Service since 1981 and is presently Joint Secretary and Financial Adviser with the MoP. He was appointed as a government nominee Director on our Board in June 2009.

Mr. S. C. Tripathi, aged 64 years, is an Independent Director of our Company. He graduated with a Master of Science degree from Allahabad University. He also holds a Bachelor's degree in Law from Lucknow University, Diploma in Development from University of Cambridge and a Diploma in Management from All India Management Association. He joined the IAS in 1968 and retired as

Secretary to the Ministry of Petroleum and Natural Gas in December 2005. He has 20 years of work experience in the finance and industry sector at Chief Executive / Secretary Level at the State and Chief Executive/Joint Secretary/Additional Secretary/Secretary level at the Central Government and in representative capacity at international level. He was appointed as Director on our Board in April 2008.

Mr. Ashok Khanna, aged 62 years, is an Independent Director of our Company. He graduated with a B.Tech. (Hons.) degree in textile from Bradford University, United Kingdom. Previously, he was also President of PHD Chamber of Commerce and Industry and the Founder Chairman of Confederation of Indian Industry, Himachal Pradesh. He has also been on the Managing Committee of Federation of Indian Chambers of Commerce and Industry. Presently, he is on the Managing Committee of the Associated Chambers of Commerce and Industry of India ("**ASSOCHAM**") and is the Chairman – NRDC committee of Ph.D chamber of Commerce and Industry. He was appointed as a Director on our Board in April 2008.

Mrs. Sarita Prasad, aged 64 years, is an Independent Director of our Company. She graduated with an Economics (Hons.) degree from Miranda House, New Delhi and also holds a Master of Economics degree from Delhi School of Economics and a Diploma in Development Administration from Birmingham University, United Kingdom. She joined the Indian Administrative Services in 1969 and retired as Secretary with the Ministry of Social Justice and Empowerment in August 2006. She was the Managing Director of three State Corporations and Financial Commissioner, Irrigation and Water Supply in the State Government Himachal Pradesh. She has also held the posts of Director in the Ministry of Defence and Joint Secretary in the Ministry of Personnel, GoI. She was appointed as a Director on our Board in August 2008.

Dr. P. K. Shetty, aged 48 years, is an Independent Director of our Company. He graduated with a Master of Science degree from the University of Agricultural Science, Dharwad, Karnataka and also holds a PhD from the Indian Agricultural Research Institute, New Delhi. Previously he has also been the Head of the Environmental Studies Unit and also served as the Dean (School of Natural Sciences and Engineering) and the Dean (Administration) at the National Institute of Advanced Studies, Bangalore. He is currently a Professor at National Institute of Advanced Studies, Bangalore, Director, Advanced Research Institute, Bangalore and is also the Honorary Chairman, MEDT Group of Institutions, Bangalore. He was re-appointed as a Director on our Board by MoP order no. 1/38/96-PG dated October 19, 2010.

Dr. A. S. Narag, aged 64 years, is an Independent Director of our Company. He graduated with a Master of Science degree and PhD from Delhi University and also holds an ITP Certificate from Graduate School of Business Administration, Harvard University. He has served as the Dean, Faculty of Management Studies, University of Delhi and has held various important positions in the University of Delhi. He is currently a professor at the Faculty of Management Studies, University of Delhi. He specializes in the areas of Project Management, Management Science and Supply-chain Management. He was re-appointed as a Director on our Board by MoP order no. 1/38/96-PG dated October 19, 2010.

Mr. Anil K. Agarwal, aged 55 years, is an Independent Director of our Company. He graduated with a Master of Commerce degree from University of Delhi and also holds a Post Graduate Diploma in Business Management from University of Delhi. He has been actively involved in Industry Associations, for development of International Trade and Investments and was the President of the ASSOCHAM. He is currently the Chairman of the International Affairs of the ASSOCHAM and a Council Member of the Institute of Chartered Accountants of India. He was re-appointed as a Director on our Board by MoP order no. 1/38/96-PG dated October 19, 2010.

Mr. F. A. Vandrevala, aged 60 years, is an Independent Director of our Company. He graduated with a Bachelor of Technology degree in Electrical Engineering from the Indian Institute of

Technology, Kharagpur and also holds a Post Graduate Diploma in Business Management from Xavier's Labour Relations Institute, Jamshedpur. He is also a member of the Institute of Chartered Accountants of India. He has over 36 years of work experience primarily in the field of Steel, Power and Telecom. He is currently the Chairman and Managing Director of Hirco Developments Private Limited. He was re-appointed as a Director on our Board by MoP order no. 1/38/96-PG dated October 19, 2010.

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution of the shareholders of our Company by postal ballot dated May 17, 2010, our Board of Directors have been authorised to borrow funds up to ₹ 800,000 million. However, the total borrowings authorised for Fiscal 2010 under the terms of the MoP MoU for the Fiscal 2010 is limited to ₹ 70,000 million only. Accordingly, we will be required to seek the approval of the MoP for any borrowings in excess of ₹ 70,000 million in Fiscal 2011.

Details of Appointment of our Directors

Name of Director	MoP Order No.	Term
Mr. S. K. Chaturvedi	No. 11/24/2007-PG dated July 8, 2008	Up to July 31, 2013 or until the date of his superannuation, whichever event occurs earlier
Mr. J. Sridharan	No. 11/13/2005-PG dated December 21, 2005	Up to December 20, 2010
Mr. V. M. Kaul	No. 11/17/2008-PG dated March 16, 2009	Up to March 15, 2014 or until the date of his superannuation, whichever event occurs earlier
Mr. R. N. Nayak	No. 11/18/2008-PG dated May 16, 2009	Up to May 15, 2014
Mr. I. S. Jha	No. 11/18/2007-PG dated July 9, 2009	Up to August 31, 2014
Dr. M. Ravi Kanth	No. 1/16/1991-PG dated December 24, 2009	As determined by the Government of India from time to time
Mr. Rakesh Jain	No. 1/16/91-PG dated June 9, 2009	As determined by the Government of India from time to time
Mr. S.C. Tripathi	No. 1/38/96-PG dated April 25, 2008	Up to April 24, 2011
Mr. Ashok Khanna	No. 1/38/96-PG dated April 25, 2008	Up to April 24, 2011
Mrs. Sarita Prasad	No. 1/38/96-PG dated July 23, 2008	Up to August 3, 2011
Mr. P.K. Shetty	No. 1/38/96-PG dated October 19, 2010	Up to July 9, 2011
Dr. A.S. Narag	No. 1/38/96-PG dated October 19, 2010	Up to July 9, 2011
Mr. Anil K. Agarwal	No. 1/38/96-PG dated October 19, 2010	Up to July 9, 2011
Mr. F.A. Vandrevala	No. 1/38/96-PG dated October 19, 2010	Up to July 9, 2011

Except for our whole-time Directors who are entitled to statutory benefits and post retirement medical benefits on termination of their employment with us, no other Director is entitled to any benefit on termination of his employment with us.

Remuneration of our whole-time Directors

The following table sets forth the details of the remuneration received by the whole-time Directors in Fiscal 2010. In addition to the amounts specified below, our whole-time Directors are also entitled to an official vehicle, gratuity and reimbursements for maintenance of a residential office and with respect to official entertainment.

Remuneration of our whole-time Directors in Fiscal 2010

(In ₹)

S. No.	Name	Basic Salary (Including Dearness Allowance)	Housing and Furnishing	Provident Fund	Perquisites and other benefits	Total
1.	Mr. S. K. Chaturvedi	1,324,427	-	168,530	767,431	2,260,388
2.	Mr. J. Sridharan	1,492,879	-	210,239	767,910	2,471,028
3.	Mr. V. M. Kaul	1,480,944	275,000	196,488	1,010,792	2,963,224
4.	Mr. R. N. Nayak	1,502,406	-	196,069	635,830	2,334,305
5.	Mr. I. S. Jha	1,442,192	462,400	155,341	195,007	2,254,940

Pursuant to memoranda issued by the Department of Public Enterprises, GoI ("**DPE**"), on November 26, 2008 and April 2, 2009, the GoI has empowered public sector undertakings, including our Company, to revise the pay scales of their respective board members and executives. Our Company has made an application to the MoP for the fixation of basic salary in respect to each of the Directors in accordance with the revised pay scale. Presently, our Directors are receiving the minimum amount determined as per the revised pay scales. Accordingly, the remuneration set forth above is subject to further revision. Salary revision for all affected public sector employees will be retrospectively effective from January 2007.

The Directors who have been nominated by the Government of India are not entitled to receive any remuneration from our Company. The Independent Directors are entitled to travel allowance/daily allowance and sitting fees of ₹ 20,000 for attending each meeting of our Board and its committees, which will be in accordance with the instructions issued by DPE from time to time and pursuant to a resolution of our Board dated October 14, 2009.

Details of terms and conditions of employment of our whole-time Directors

Our whole-time Directors are appointed by the President of India through the MoP. The MoP also prescribes the terms and conditions of appointment of our whole-time Directors. Pay fixation details of our whole time Directors as per the revised pay scale prescribed by the DPE would be communicated by the MoP once the MoP decides to fix the revised pay scale. Pending receipt of the concurrence and approval from the MoP on our Company's proposal on the fixation of the basic salary for each of our Directors, the minimum basic pay as per the revised pay scales is being paid to the whole-time Directors.

Our Company prescribes the terms and conditions of employment for each of the whole-time Directors in consonance with the terms and conditions prescribed by the MoP. The terms and conditions governing the appointment of Mr. S.K. Chaturvedi, Mr. J. Sridharan, Mr. V.M. Kaul, Mr. R.N. Nayak and Mr. I.S. Jha are set forth below.

Mr. S. K. Chaturvedi

Mr. S. K. Chaturvedi was appointed as Chairman and Managing Director pursuant to MoP Order No. 11/24/2007-PG dated July 8, 2008. The terms and conditions of employment dated September 22, 2009, prescribed by our Company and approved by our Board at its meeting dated October 14, 2009 are set forth below:

Term	For a period of five years from August 1, 2008 or until the date of his superannuation, whichever event occurs earlier.
Basic salary	₹ 80,000 in the existing scale of ₹ 80,000 – ₹ 125,000.
Dearness allowance	35.10% of the basic pay. The rate of dearness allowance is revised on a quarterly basis.
Housing and furnishing	Company accommodation.
Annual increment	3% of the basic pay.
Provident fund and gratuity	Contribution to provident fund is determined upon the basic pay and dearness allowance. Entitled to a gratuity calculated as per the basic pay and dearness allowance with a ceiling of ₹ 0.10 million.
Other benefits and incentives	Entitled to a car, medical facilities and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to performance related pay with a ceiling of 200% of basic pay.
Leave and vacation	Entitled to 30 days of earned leave, 20 days of half paid leave and 12 days of casual leave and two days of optional leave.
Club membership	Entitled to membership of up to two clubs.
Other conditions	Up to a period of one year from the date of his retirement from our Company he will not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

Mr. J. Sridharan

Mr. J. Sridharan was appointed as Director (Finance) pursuant to MoP Order No. 11/13/2005-PG dated December 21, 2005 and the MoP has through Order No. 11/13/2005-PG dated March 31, 2006 specified the terms and conditions of his appointment. The terms and conditions governing the employment of Mr. J. Sridharan are set forth below:

Term	For a period of five years from December 21, 2005 or until he attains the age of superannuation or until further orders of the MoP. The appointment may be terminated by either side on providing three months notice or on payment of three months salary in lieu thereof.
Basic salary	₹ 75,000 per month in the existing scale of ₹ 75,000 - ₹ 100,000.
Dearness allowance	35.10% of the basic pay. The rate of dearness allowance is revised on a quarterly basis.
Housing and furnishing	Company accommodation.
Annual increment	3% of the basic pay.
Provident fund and gratuity	Contribution to provident fund is determined on the basic pay and dearness allowance. Entitled to a gratuity calculated as per the basic pay and dearness allowance with a ceiling of ₹ 0.10 million.
Other benefits and incentives	Entitled to a car, medical facilities and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to performance related pay with a ceiling of 150% of basic pay.
Leave and vacation	Entitled to 30 days of earned leave, 20 days of half paid leave and 12 days of casual leave and two days of optional leave.
Club membership	Entitled to memberships of up to two clubs.
Other conditions	Up to a period of one year from the date of his retirement from our Company he will not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

Mr. V. M. Kaul

Mr. V. M. Kaul was appointed as Director pursuant to MoP Order No. 11/17/2008-PG dated March 16, 2009 The terms and conditions of employment dated September 22, 2009, prescribed by our Company and approved by our Board at its meeting dated October 14, 2009 are set forth below:

Term	For a period of five years from March 16, 2009 or until the date of his superannuation, whichever event occurs earlier.
Basic salary	₹ 75,000 per month in the existing scale of ₹ 75,000 - ₹ 100,000.
Dearness allowance	35.10% of the basic pay. The rate of dearness allowance is revised on a quarterly basis.
Housing and furnishing	Lease rent of ₹ 55,000 per month.
Annual increment	3% of the basic pay.
Provident fund and gratuity	Contribution to provident fund is determined on the basic pay and dearness allowance. Entitled to a gratuity calculated as per the basic pay and dearness allowance with a ceiling of ₹ 0.10 million.
Other benefits and incentives	Entitled to a car, medical facilities and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to performance related pay with a ceiling of 150% of basic pay.
Leave and vacation	Entitled to 30 days of earned leave, 20 days of half paid leave and 12 days of casual leave and two days of optional leave.
Club membership	Entitled to memberships of up to two clubs.
Other conditions	(i) Up to a period of one year from the date of his retirement from our Company he will not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

Mr. R. N. Nayak

Mr. R. N. Nayak was appointed as Director pursuant to MoP Order No. 11/18/2008-PG dated May 16, 2009. The terms and conditions of employment dated September 22, 2009, prescribed by our Company and approved by our Board at its meeting dated October 14, 2009 are set forth below:

Term	For a period of five years from May 16, 2009.
Basic salary	₹ 75,000 per month on the existing scale of ₹ 75,000 - ₹ 100,000.
Dearness allowance	35.10% of the basic pay. The rate of dearness allowance is revised on a quarterly basis.
Housing and furnishing	Company accommodation.
Annual increment	3% of the basic pay.
Provident fund and Gratuity	Contribution to provident fund is determined on the basic pay and dearness allowance. Entitled to a gratuity calculated as per the basic pay and dearness allowance with a ceiling of ₹ 0.10 million.
Other benefits and incentives	Entitled to a company car, medical facilities and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to performance related pay with a ceiling of 150% of basic pay.
Leave and vacation	Entitled to 30 days of earned leave, 20 days of half paid leave and 12 days of casual leave and two days of optional leave.
Club membership	Entitled to memberships of up to two clubs.
Other conditions	(i) Up to a period of one year from the date of his retirement from our Company he will not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

Mr. I. S. Jha

Mr. I. S. Jha was appointed as Director pursuant to MoP Order No. 11/18/2007-PG dated July 9, 2009 The terms and conditions of employment dated September 22, 2009, prescribed by our Company and approved by our Board at its meeting dated October 14, 2009 are set forth below:

Term	For a period of five year from September 1, 2009.
Basic salary	₹ 75,000 per month in the existing scale of ₹ 75,000 - ₹ 100,000.
Dearness allowance	35.10% of the basic pay. The rate of dearness allowance is revised on a quarterly basis.
Housing and furnishing	Lease rent of ₹ 60,000 per month.
Annual increment	3% of the basic pay.
Provident fund and Gratuity	Contribution to provident fund is determined on the basic pay and dearness allowance. Entitled to a gratuity calculated as per the basic pay and dearness allowance with a ceiling of ₹ 0.10 million.
Other benefits and incentives	Entitled to a company car, medical facilities and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to performance related pay with a ceiling of 150% of basic pay.
Leave and vacation	Entitled to 30 days of earned leave, 20 days of half paid leave and 12 days of casual leave and two days of optional leave.
Club membership	Entitled to memberships of up to two clubs.
Other conditions	Up to a period of one year from the date of his retirement from our Company he will not accept any appointment or post, whether advisory or administrative, in any firm or company with which our Company has had business relations, without prior approval of the Government of India.

Corporate Governance

Our Equity Shares are listed on the Stock Exchanges and our Company has adopted corporate governance practices in accordance with Clause 49 of the Equity Listing Agreement, entered into with the Stock Exchanges, in terms of broad basing our Board and constitution of various committees thereof.

Our Company has not complied with the Equity Listing Agreement relating to composition of board of directors for certain quarters during the last three years immediately preceding the date of registering this Red Herring Prospectus with the RoC. However, our Company was compliant with the Equity Listing Agreement from October 20, 2010, with the induction of four independent Directors on its Board. Accordingly, our Company is in compliance with the requirements of Clause 49 of the Equity Listing Agreement as on the date of this Red Herring Prospectus.

We have constituted an Audit Committee and a Shareholders'/Investors' Grievance Committee as per the requirements of Clause 49 of the Equity Listing Agreement. Whilst, the constitution of Remuneration Committee is not mandatory under the Equity Listing Agreement, we have constituted a Remuneration Committee in accordance with the DPE Guidelines applicable to all central public sector enterprises.

I. Audit Committee

Our Audit Committee was constituted through Board resolution dated August 14, 2007 and last reconstituted on August 6, 2010. The Audit Committee currently comprises the following Directors:

(i) Mr. S. C. Tripathi (Independent Director) – Chairman of the Audit Committee;

(ii) Mr. Ashok Khanna (Independent Director);

(iii) Mrs. Sarita Prasad (Independent Director); and

(iv) Mr. Rakesh Jain (Government Nominee Director).

Meeting of Audit Committee

The Audit Committee is required to meet at least four times in a year and not more than four months will elapse between two meetings. The quorum will be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

The Company Secretary will be the Secretary to the Audit Committee.

Powers of Audit Committee

The powers of the Audit Committee include the following:

1. To investigate any activity within its terms of reference.
2. To seek information on and from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To protect whistle blowers.
6. To consider other matters as referred by the Board.

Role of Audit Committee

The role of the audit committee includes the following:

1. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Fixation of audit fees to be paid to statutory auditors appointed by Comptroller & Auditor General under the Companies Act and approval for payment with respect to any other services rendered by the statutory auditors.

3. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act.
    b. Changes, if any, in accounting policies and practices and reasons for the same.
    c. Major accounting entries involving estimates based on the exercise of judgment by management.
    d. Significant adjustments made in the financial statements arising out of audit findings.
    e. Compliance with listing and other legal requirements relating to financial statements.
    f. Disclosure of any related party transactions.
    g. Qualifications in the draft audit report.

4. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

5. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for 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 a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

6. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

8. Discussion with internal auditors and / or auditors any significant findings and follow up there on.

9. Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies 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.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower Mechanism.

13. To review the follow up action on the audit observations of the Comptroller & Auditor General audit.

14. To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.

15. Provide an open avenue of communication between the independent auditor, internal auditor and the Board.

16. Review all related party transactions in our Company. For this purpose, the Audit Committee may designate a member who shall be responsible for reviewing related party transactions.

    Explanation: The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, issued by the Institute of Chartered Accountants of India.

17. Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.

18. Consider and review the following with the independent auditor and the management:

    a. The adequacy of internal controls including computerized information system controls and security; and
    b. Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

19. Consider and review the following with the management, internal auditor and the independent auditor:

a. Significant findings during the year, including the status of previous audit recommendations; and
b. Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations.

2. Statement of significant related party transactions submitted by management.

3. Management letters / letters of internal control weaknesses issued by the statutory auditors.

4. Internal audit reports relating to internal control weaknesses.

5. The appointment, removal and terms of remuneration of the chief internal auditor.

6. Certification/declaration of financial statements by the Chief Executive Officer/Chief Finance Officer.

II. Shareholders' / Investors' Grievance Committee

Our Shareholders'/Investors' Grievance Committee was constituted through Board resolution dated August 14, 2007 and last reconstituted on October 20, 2010. The Shareholders'/Investors' Grievance Committee currently comprises the following Directors:

(i) Mr. Anil K. Agarwal (Independent Director) – Chairman of the Shareholders' / Investors' Grievance Committee;

(ii) Mr. J. Sridharan (Director (Finance) – Whole-time);

(iii) Dr. A. S. Narag (Independent Director);

(iv) Dr. M. Ravi Kanth (Government Nominee Director); and

(v) Mrs. Sarita Prasad (Independent Director).

General Functions:

The Shareholders/ Investors Grievance Committee has been constituted for redressal of shareholders'/ investors' complaints relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, among others.

III. Remuneration Committee

Our Remuneration Committee was constituted through Board resolution dated August 14, 2007 and last reconstituted on October 20, 2010. The Remuneration Committee currently comprises the following Directors:

(i) Mr. Ashok Khanna (Independent Director) – Chairman of the Remuneration Committee;

(ii) Mr. Anil K. Agarwal (Independent Director);

(iii) Dr. A. S. Narag (Independent Director);

(iv) Mr. F. A. Vandrevala (Independent Director); and

(v) Dr. P.K. Shetty (Independent Director).

The Remuneration Committee decides the annual bonus/variable pay pool and policy for its distribution across executives within prescribed limits.

IV. Pricing Committee

Our Pricing Committee was constituted through Board resolution dated October 20, 2010. The Pricing Committee currently comprises the following Directors:

(i) Mr. S.K. Chaturvedi (Chairman and Managing Director) – Chairman of the Pricing Committee;

(ii) Mr. S. Pradhan (Additional Secretary, Department of Disinvestment);

(iii) Dr. M. Ravi Kanth (Government Nominee Director);

(iv) Mr. Rakesh Jain (Government Nominee Director); and

(v) Mr. J. Sridharan (Director (Finance) – Whole-time).

The Pricing Committee is authorised to determine the Floor Price/Price Band/Issue Price with respect to the Issue and put forward the same to the Board and the Empowered Group of Ministers for approval.

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 (held in individual capacity) as on the date of filing this Red Herring Prospectus:

Name of the Director	No. of Equity Shares
Mr. S. K. Chaturvedi	-
Mr. I. S. Jha	2,998
Mr. V. M. Kaul	7,213
Mr. J. Sridharan	5,000
Mr. R. N. Nayak	11,721
Mr. Rakesh Jain	-
Dr. M. Ravi Kanth	-
Dr. P.K. Shetty	218
Dr. A.S. Narag	3,136
Mr. F.A. Vandrevala	15,051
Mr. Ashok Khanna	-
Mr. S. C. Tripathi	-
Mrs. Sarita Prasad	-
Mr. Anil K. Agrawal	-

Interest of our Directors

All of our Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of our Company such as attending meetings of the Board or a committee thereof and to the extent of other reimbursement of expenses payable to them under our Articles of Association.

Some of our Directors also hold Equity Shares in our Company and are interested to the extent of any dividend payable to them in respect of the same. Our Directors may also be regarded as interested in the Equity Shares that may be subscribed by or Allotted to them or the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue.

Except as stated in this Red Herring Prospectus and in particular "***Financial Statements – Annexure XXIII - Related Party Transactions***" on page 241, our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus.

Some of our Directors also hold directorships in our Subsidiaries/Joint Ventures which are also engaged in the power transmission business. However, none of our Directors have been appointed on our Board pursuant to any arrangement with our customers, suppliers or others.

Except as stated in this Red Herring Prospectus and in particular "***Financial Statements – Annexure XXIII - Related Party Transactions***" on page 241, our Directors do not have any other interest in our business.

Changes in our Board during the last three years

The changes in our Board in the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. S.K. Chaturvedi	August 1, 2008	-	Appointed as Chairman and Managing Director
Mr. J. Sridharan	December 21, 2005	-	Appointment pursuant to notification of MoP
Mr. V.M. Kaul	March 16, 2009	-	Appointment pursuant to notification of MoP
Mr. R.N. Nayak	May 16, 2009	-	Appointment pursuant to notification of MoP
Mr. I.S. Jha	September 1, 2009	-	Appointment pursuant to notification of MoP
Dr. M. Ravi Kanth	December 11, 2009	-	Appointment pursuant to notification of MoP
Mr. Rakesh Jain	June 9, 2009	-	Appointment pursuant to notification of MoP
Mr. S.C. Tripathi	April 25, 2008	-	Appointment pursuant to notification of MoP
Mr. Ashok Khanna	April 25, 2008	-	Appointment pursuant to notification of MoP
Mrs. Sarita Prasad	August 4, 2008	-	Appointment pursuant to notification of MoP
Dr. P.K. Shetty	July 10, 2007	July 9, 2010	Completion of tenure pursuant to notification of MoP
Dr. A.S. Narag	July 10, 2007	July 9, 2010	Completion of tenure pursuant

Name	Date of Appointment	Date of Cessation	Reason
			to notification of MoP
Mr. Anil K. Agarwal	July 10, 2007	July 9, 2010	Completion of tenure pursuant to notification of MoP
Mr. F.A. Vandrevala	July 10, 2007	July 9, 2010	Completion of tenure pursuant to notification of MoP
Mr. S. Majumdar	September 27, 2005	August 31, 2009	Superannuation
Mr. I.C.P. Keshari	March 6, 2009	May 22, 2009	Nomination withdrawn by MoP
Mr. Sudhir Kumar	May 22, 2009	December 11, 2009	Nomination withdrawn by MoP
Mr. G.B. Pradhan	November 27, 2003	March 6, 2009	Nomination withdrawn by MoP
Mr. Rajesh Verma	August 2, 2007	March 26, 2009	Nomination withdrawn by MoP
Dr. R.P. Singh	August 12, 1997	May 30, 2008	Resignation
Mr. M.S. Kapur	July 10, 2007	October 5, 2007	Resignation
Mr. Anil K. Agarwal	July 10, 2010 (with effect from)	-	Appointment pursuant to notification of MoP
Mr. F.A. Vandrevala	July 10, 2010 (with effect from)	-	Appointment pursuant to notification of MoP
Dr. P.K. Shetty	July 10, 2010 (with effect from)	-	Appointment pursuant to notification of MoP
Dr. A.S. Narag	July 10, 2010 (with effect from)	-	Appointment pursuant to notification of MoP

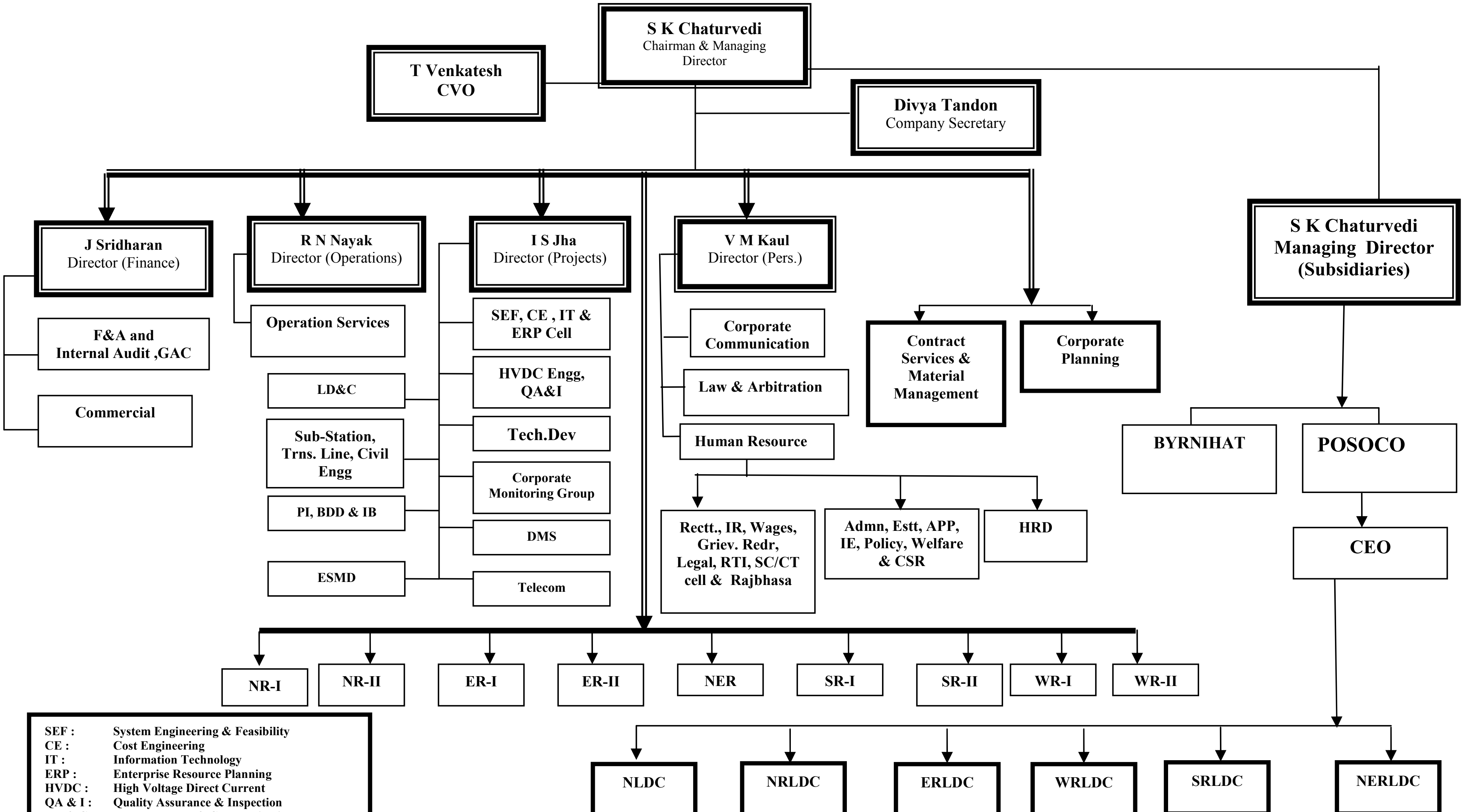
Employees

Our Company does not have any employee stock option scheme or employee stock purchase scheme.

Payment or benefits to officers of our Company

Except certain post retirement medical benefits and statutory benefits on superannuation, no officer of our Company is entitled to any benefit on superannuation. Our Company grants certain benefits to employees posted in Afghanistan, Nigeria and Dubai. Disturbance allowance is paid to employees posted in Afghanistan at 50% of cash allowance and to employees posted in Nigeria at one-third of cash allowance. Our Company paid disturbance allowance amounting to ₹ 1.3 million and ₹ 1.1 million in Fiscal 2009 and 2010, respectively, to employees posted in Afghanistan. Presently, there are no employees posted in Nigeria. Further, employees who retain their family in India are allowed, in addition to the normal leave travel concession, six days special leave (excluding journey period) for each visit to their family at Company expense, twice a year for employees posted in Afghanistan, once a year for employees posted in Nigeria and once in two years for employees posted in Dubai.

Organization structure



SEF :	System Engineering & Feasibility
CE :	Cost Engineering
IT :	Information Technology
ERP :	Enterprise Resource Planning
HVDC :	High Voltage Direct Current
QA & I :	Quality Assurance & Inspection
LD & C :	Load Despatch & Communication
ESMD :	Environmental & Social Management
PI :	Private Investment
BDD :	Business Development Department
IB :	International Business
DMS :	Distribution Management System
GAC :	Government Audit Coordination

OUR PROMOTER AND GROUP COMPANIES

Our Promoter is the President of India acting through the MoP and the MoDoNER. Our Promoter currently holds 86.36% of the pre-Issue paid-up equity share capital of our Company. As our Promoter is the President of India acting through the MoP and the MoDoNER, disclosure of our 'group companies' cannot be provided.

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 guidelines issued by the DoE, our profits, capital requirements, contractual obligations, restrictive covenants under our loan and financing arrangements and the overall financial condition of our Company.

The dividend and dividend tax paid by our Company during the last three Fiscals is presented below.

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Face value of Equity Shares (in ₹ per Equity Share)	10	10	10
Interim Dividend (in ₹ million)	2,104.55	2,104.57	2,104.57
Dividend (in ₹ million)	4,208.84	2,946.27	2,946.19
Dividend per Equity Share (₹)	1.5	1.2	1.2
Interim Dividend Rate (%)	5	5	5
Final Dividend Rate (%)	10	7	7
Dividend Tax (in ₹ million)	1,056.59	858.39	858.38

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.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

A.R. & Co.
Chartered Accountants
C-1, II Floor, R.D.C.
Raj Nagar, Ghaziabad – 201 002.
National Capital Region of Delhi

S R I Associates
Chartered Accountants
3-B, Garstin Place
Kolkata – 700 001.

Umamaheswara Rao & Co.
Chartered Accountants
Flat No. 5-H 'D' Block, 8-3-324,
Krishna Apartments, Yellareddyguda Lane
Ameerpet 'X' Roads, Hyderabad - 500 073.

Report on Stand alone Financial Statements

The Board of Directors
Power Grid Corp. of India Limited
Plot No. 2, Sector 29,
Gurgaon

Dear Sirs,

1. We have examined the attached financial information of Powergrid Corporation of India Limited (the 'Company') comprising Statements of Assets and Liabilities (Annexure-I), Profit & Loss Accounts (Annexure-II) and Cash Flows (Annexure III) for the years ended on March 31, 2009 and 2010 and half year ended on September 30,2010 and Accounting Policies (Annexure IV) & Notes on Accounts (Annexure V) for the year ended on March 31, 2010 as approved by the Committee of the Board of Directors of the Company formed for this purpose, which has been prepared in terms of the requirements of the Securities and Exchange Board of India (issue of Capital and Disclosure Requirements) Regulations, 2009, as amended to date, (ICDR Regulations) applicable provisions of the Companies Act, 1956 (the Act) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated August 20, 2010 in connection with the proposed "Further Public Offering (FPO) of Equity Shares by the "Selling Shareholder".

   The preparation and presentation of these financial information is the responsibility of the Company's Management.

2. These financial information have been extracted by the Management from the Company's audited financial statements for the years ended on March 31, 2009 and 2010 and unaudited Profit and Loss Account for the half year ended on September 30, 2009 and September 30, 2010 subjected to limited review, after making such regroupings as considered appropriate. The financial statements of the Company for the year ended on March 31, 2009 and 2010 were audited by us. The unaudited Profit & Loss Account for the half year ended on September 30, 2009 and September 30, 2010 were subjected to Limited Review carried out by us.

3. We have performed such tests and procedures, which in our opinion, were necessary for the examination of these financial information. These procedures, mainly involved comparison of the attached financial information with the Company's audited/unaudited financial statements for the respective years/periods.

4. Based on above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been used in the financial information appropriately,

5. In accordance with the requirements of the ICDR Regulations, applicable provisions of the Act and the terms of our engagements agreed with you, we have also examined the other financial information prepared by the Management and approved by the committee of the Board of Directors of the Company for the purpose of inclusion in the Red Herring Prospectus as mentioned below:-

a.	Statement of Dividend paid / proposed	Annexure VI
b.	Statement of Accounting Ratios	Annexure VII
c.	Capitalization Statement as of September 30, 2010	Annexure VIII
d.	Statement of Revenue from Operations, Statement of Other Income and Statement of O&M Expenditure	Annexure IX a,b,c
e.	Statement of Share Capital	Annexure X
f.	Statement of Reserves and Surplus	Annexure XI

g.	Statement of Advance Against Depreciation	Annexure XII
h.	Statement of Grants in Aid	Annexure XIII
i.	Statement of Secured and Un-secured Loans	Annexure XIV
j.	Statement of Current Liabilities and Provisions	Annexure XV a, b
k.	Statement of Fixed Assets	Annexure XVI
l.	Statement of Investments	Annexure XVII
m.	Statement of Sundry Debtors	Annexure XVIII
n.	Statement of Loans and Advances	Annexure XIX
o.	Statement of Contingent Liabilities	Annexure XX
p.	Statement of Misc. Expenditure to the extent not written off	Annexure XXI
q.	Statement of the Changes in the Accounting Policies for the year ended on March 31, 2009 and for the year ended on March 31, 2010	Annexure XXII
r.	Statement of Related Party Transactions	Annexure XXIII
s.	Statement of Segment Reporting	Annexure XXIV
t.	Statement of Tax Shelter	Annexure XXV
u.	Statement of Employee Remuneration and Benefits	Annexure XXVI
v.	Statement of Interest & Finance Charges	Annexure XXVII

All of the above statements are for the years ended on March 31, 2009 and 2010 and for the half year ended on September 30, 2010 except for the statements mentioned at Sr. Nos. k, q, and r which are for the years ended on March 31, 2009 and 2010.

6. In our opinion the attached financial information of the company, as mentioned in paragraph 1 and 5 above have been extracted and prepared in accordance with the ICDR Regulations and the applicable provisions of the Act.

7. This report is intended solely for use of the Management and "Selling Shareholder" for inclusion in the Red Herring Prospectus and the Prospectus in connection with FPO of the Equity Shares of the Company by the "Selling Shareholder" and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For A.R. & Co. Chartered Accountants Regn No.002744C	**For S R I Associates** Chartered Accountants Regn No.305109E	**For Umamaheswara Rao & Co.** Chartered Accountants Regn No. 004453S
(Pawan K. Goel) **Partner** Membership No. 072209	**(I. Pasha)** **Partner** Membership No. 013280	**(Venugopal Sanka)** **Partner** Membership No. 205565

Place : Mumbai.
Date : October 20, 2010

Summary of Stand Alone Profit & Loss Account ***Annexure I***

(Rs. In Million)

Particulars	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2009 (Unaudited Reviewed)	Half Year Ended September 30, 2010 (Unaudited Reviewed)
Income :				
Transmission Charges	52828.4	65763.8	32026.7	37755.9
Consultancy Revenue	2159.0	2691.7	960.5	1519.5
Telecom Revenue	1498.3	1577.2	810.7	893.7
Short Term Open Access Income	414.2	1241.8	357.3	1088.4
Other Income	4487.3	3761.3	1997.1	2469.1
Total Income	**61387.2**	**75035.8**	**36152.3**	**43726.6**
Expenditure :				
Employee Remuneration and Benefits	6438.8	7267.0	3655.3	3926.7
Transmission, Administration and Other Expenses	4116.1	5074.3	2007.9	2611.9
Depreciation	10939.7	19796.9	10488.6	10455.1
Provisions	462.3	221.5	21.5	41.5
Interest and Finance Charges	16422.7	15432.4	7688.6	8090.5
Deferred Revenue Expenditure Written Off	18.3	17.8	9.2	8.9
Total Expenditure	**38397.9**	**47809.9**	**23871.1**	**25134.6**
Profit for the year before tax and prior period adjustments	22989.3	27225.9	12281.2	18592.0
Less : Prior Period Expenditure / (Income)	703.6	962.7	(6.1)	23.0
Profit before Tax	**22285.7**	**26263.2**	**12287.3**	**18569.0**
Provision for :				
Current Year Taxes				
Minimum Alternate Tax (MAT)				
- Current Year	3182.5	4303.4	1800.8	3538.5
- Earlier Years	1603.5	(84.3)	262.3	45.9
Total	4786.0	4219.1	2063.1	3584.4
Fringe Benefit Tax				
- Current Year	146.2			
- Earlier Years	(0.2)	(15.0)	(15.0)	
Total	146.0	(15.0)	(15.0)	0.0
Deferred Tax	7184.9	2250.2	3900.9	1493.8
Less : Deferred Tax recoverable	6737.3	600.5	3727.5	55.0
Deferred Tax (net)	447.6	1649.7	173.4	1438.8
Profit after Tax	16906.1	20409.4	10065.8	13545.8

Summary of Stand Alone Assets & Liabilities ***Annexure II***

(Rs. in Million)

Particulars	As at March 31, 2009	As at March 31, 2010	As at September 30, 2010 (Unaudited Reviewed)
Fixed Assets (A) :			
Gross Block	403193.3	432022.8	477440.6
Less : Depreciation	91908.9	111410.2	121818.8
Net Block	311284.4	320612.6	355621.8
Capital Work-in-Progress	65334.3	102423.7	94758.1
Construction Stores and Advances	67525.7	101798.1	112997.1
Sub -total (A)	444144.4	524834.4	563377.0
Investments (B)	15928.3	14532.2	14851.2
Current Assets, Loans & Advances (C)			
Inventories	2975.7	3449.0	3626.1
Sundry Debtors	13735.6	22148.6	28650.2
Cash and Bank Balances	24288.8	32776.4	35611.6
Other Current Assets	13849.2	4875.2	4741.3
Loans and Advances	28279.9	33024.0	28389.1
Sub -total (C)	83129.2	96273.2	101018.3
Liabilities & Provisions (D)			
Advance Against Depreciation	21595.9	22136.3	22123.8
Grants in Aid	2253.5	1988.2	1856.9
Secured Loans	252882.5	313457.8	336568.7
Unsecured Loans	31771.8	30710.1	29671.5
Deferred Tax Liability(Net)	5385.4	7035.1	8474.0
LDC Development Fund	0.0	164.4	359.7
CSR Activities Reserve	0.0	83.9	161.1
Current Liabilities	61233.7	76346.0	78828.7
Provisions	21898.2	24582.9	28792.0
Sub-total (D)	397021.0	476504.7	506836.4
NET WORTH (A+B+C-D)	**146180.9**	**159135.1**	**172410.1**
Represented by :			
Share Capital (E)	42088.4	42088.4	42088.4
Reserves and Surplus	**104147.5**	**117330.6**	**130871.9**
Less : LDC Development Fund	0.0	164.4	359.7
Less : CSR Activities Reserve	0.0	83.9	161.1
Reserves and Surplus (F)	104147.5	117082.3	130351.1
Miscellaneous expenditure (G)	55.0	35.6	29.4
NET WORTH (E+F-G)	**146180.9**	**159135.1**	**172410.1**

Statement of Cash Flows *Annexure III*

(Rs. in Million)

	Particulars	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 (Unaudited Reviewed)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before tax	22285.7	26263.2	18569.0
	Adjustment for :			
	Depreciation (including prior period)	11159.3	19787.3	10491.3
	Transfer from Grants in Aid	(214.5)	(265.3)	(131.3)
	Adjustment against General Reserve	0.0	147.2	0.0
	Amortised Expenditure(DRE written off)	18.3	17.8	8.9
	Provisions	386.0	132.6	(363.2)
	Self Insurance	(0.4)	(3.4)	(4.5)
	Net Loss on Disposal / Write off of Fixed Assets	38.2	38.3	23.4
	Interest and Finance Charges	25320.9	15432.4	8090.5
	FERV gain	0.0	(46.9)	0.0
	Interest earned on bonds/Loans to State Govts.	(1329.9)	(1164.1)	(520.0)
	Dividend received	(195.4)	(243.7)	(427.2)
	Operating profit before Working Capital Changes	**57468.2**	**60095.4**	**35736.9**
	Adjustment for :			
	Trade and other Receivables	1535.2	(7879.5)	(6173.7)
	Inventories	(493.2)	(473.2)	(177.1)
	Trade payables and other liabilities	24979.8	15276.8	23.3
	Other current assets	286.5	(240.1)	(166.2)
	Deferred Income/Expenditure from Foreign Currency Fluctuation(Net)	6177.6	(4394.1)	297.6
	Deferred Foreign Currency Fluctuation Asset/Liability(Net)	(14348.6)	9681.6	2.5
	Loans and Advances	(8157.5)	(3576.8)	6552.2
	Deferred Revenue Expenditure	(1.4)	1.6	(2.7)
		9978.4	**8396.3**	**355.9**
	Direct taxes paid (including FBT)	(1540.2)	(2300.0)	(2312.1)
	Net Cash from operating activities	**65906.4**	**66191.7**	**33780.7**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Fixed assets (including incidental expenditure during construction)	(7708.2)	(1477.0)	(1875.1)
	Capital work in progress	(53528.9)	(64777.2)	(35956.1)
	Advances for capital expenditure	(32998.9)	(34272.4)	(11199.0)
	(Increase)/Decrease in Investments - Bonds and others	1828.9	1866.3	25.0
	(Increase)/Decrease in investments -JVs and Subsidiaries	(395.0)	(470.6)	(344.0)
	Lease receivables	(290.7)	1114.5	(390.6)
	Interest earned on bonds/Loans to State Govts.	1329.9	1164.1	520.0
	Dividend received	195.4	243.7	427.2
	Net cash used in investing activities	**(91567.5)**	**(96608.6)**	**(48011.4)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Loans raised during the year - Long Term Gross loan raised without FERV Adjustment Rs. 80237.3 million (Previous Year Rs. 5717.0 million)	76298.5	68487.7	37869.5

Loans repaid during the year - Long Term	(14278.9)	(13927.2)	(8297.2)
Loans raised during the year - Short Term	7500.0	12500.0	0.0
Loans repaid during the year - Short Term	(7500.0)	(7500.0)	(7500.0)
Interest and Finance Charges Paid	(24816.4)	(14746.8)	(5006.4)
Dividend paid	(5050.8)	(5050.8)	0.0
Dividend Tax paid	(858.4)	(858.4)	0.0
Net Cash from Financing Activities	**31294.0**	**38904.5**	**17065.9**
D. Net change in Cash and Cash equivalents(A+B+C)	**5632.9**	**8487.6**	**2835.2**
E. Cash and Cash equivalents(Opening balance)	18655.9	24288.8	32776.4
F. Cash and Cash equivalents(Closing balance)	**24288.8**	**32776.4**	**35611.6**

Note:

Cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 33965.5 million (for the year 2009-10 Rs. 29296.6 million and Rs. 16198.2 million for 2008-09) not available for use by the Company.

Annexure IV

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable Accounting Standards in India.

2. RESERVES AND SURPLUS

2.1 Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except valve halls of HVDC Bi-pole, HVDC equipments, SVC substations and series compensators) as at the end of the year by appropriating current year profit towards future losses which may arise from un-insured risks. The same is shown as "Self insurance reserve" under 'Reserves & Surplus'.

2.2 LDC Development fund shall be created in respect of charges collected on account of return on equity, interest on loan, depreciation and other other income of the Regional Load Despatch Centre and National Load Despatch Centre such as registration fee, application fee, short-term open access charges etc. The funds shall be utilized for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from t he financial institutions and funding R&D projects.

2.3 In accordance with the scheme of earmarking 0.75% of net profits of the preceding financial year towards Corporate Social Responsibility (CSR), unutilized money during an year shall be credited to CSR reserves. Any expenditure above 0.75% of the preceding year shall be adjusted against such reserve.

3. GRANTS-IN-AID

3.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for projects, betterment of transmission systems and specific depreciable assets are shown as "grants-in-aid" till the utilization of grant.

3.2 On capitalization of related assets, grants received for specific depreciable assets are treated as deferred income and recognized in the profit and loss account over the useful period of life and in proportion to which depreciation on these assets is provided.

4. FIXED ASSETS

4.1 Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

4.2 In the case of commissioned assets, deposit works/cost- plus contracts where final settlement of bills with contractors is yet to be affected, capitalisation is done on provisional basis subject to necessary adjustments in the year of final settlement.

4.3 Assets and systems common to more than one transmission system are capitalised on the basis of technical estimates/ assessments

4.4 Transmission system assets are considered 'Ready for intended use', for the purpose of capitalization, after test charging/successful commissioning of the systems/assets and on completion of stablization period wherever technically required.

4.5 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses wherever possession of land is taken,

4.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.

4.7 Capital expenditure on assets not owned by the company is reflected as a distinct item in capital work-in-progress till completion and thereafter in Fixed Assets.

4.8 Insurance spares, other than mentioned in 4.10 below, which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of the related plant & machinery.

4.9 Mandatory spares, other than mentioned in 4.10 below, in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies either procured along with the equipments or subsequently, are capitalized and depreciation is charged in accordance with the relevant accounting standard.

4.10 Items of Insurance / Mandatory spares, covered under 4.8 & 4.9 above, are charged to revenue, if the year of purchase and consumption is same.

5. CAPITAL WORK IN PROGRESS (CWIP)

5.1 Cost of material consumed, erection charges thereon along with other related expenses incurred for the projects are shown as CWIP till capitalization.

5.2 Expenditure of Corporate office, Regional Offices and Projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets.

5.3 Interest during construction and expenditure (net) allocated to construction as per policy No. 5.2 above (allocated to the projects on prorata basis to their capital expenditure), are apportioned to capital work in progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP Schedule .

5.4 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.

5.5 Claims for price variation/ exchange rate variation in case of contracts are accounted for on acceptance/ receipt of claims.

6. CONSTRUCTION STORES

6.1 Construction stores are valued at cost.

7. BORROWING COST

7.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including bond issue expenses, interest, front end fee, guarantee fee, management fee etc.) are allocated to the projects in proportion to the funds so earmarked.

7.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.

7.3 Foreign exchange rate variation (FERV) (Unfavorable) on foreign currency borrowings, to the extent it does not exceed the difference between the local currency borrowing cost and foreign currency borrowing cost, is treated as borrowing cost.

8. TRANSACTION IN FOREIGN CURRENCY

8.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates of exchange ruling on the date of the Balance Sheet.

8.2 FERV (except the amount considered as 'borrowing cost' under para 7.3 above) arising on transactions contracted prior to April 1, 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For the transactions contracted on or after April 1, 2004, the same is charged to profit & loss account irrespective of whether the project is under construction or operation.

8.3 FERV *(excluding FERV during construction period for the transaction contracted on or after Ist April, 2004)*, accounted for as per policy no 7.3 & 8.2 is recoverable/payable from the beneficiaries on actual payment basis as per Central electricity regulatory commission (CERC) norms w.e.f 1st April, 2004 or Date of Commercial Operation (DOCO) which ever is later.

The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:

a) FERV recoverable or payable is apportioned into (i) amount adjusted to carrying cost of fixed assets and (ii) amount
recognized as income/expense in profit and loss account in the same proportion in which FERV is apportioned between carrying cost of fixed assets and profit and loss account.

b) FERV recoverable/payable adjusted to carrying cost of fixed assets, as referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Deferred income/expenditure from foreign currency fluctuation a/c'

c) FERV recoverable/payable adjusted in profit and loss referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & loss account'

d) 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.

e) The amount recoverable/payable as per CERC norms on year to year basis is adjusted to the 'Deferred foreign currency fluctuation asset/liability a/c' with corresponding credit/debit to the debtors.

8.4 FERV upto the date of commercial operation in respect of transactions contracted on or after Ist April,2004, is included in the capital cost for the purpose of tariff. Such FERV and transmission charges received thereon are accounted for as under:

a) Such FERV is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & loss account'.

b) Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c'.

c) Balance 10% is adjusted against the transmission charges over the tenure of respective loan.

8.5 FERV in respect of current assets is taken to Profit & Loss a/c.

9. INVESTMENTS

9.1 Long term investments are carried at cost less provisions, if any, for permanent diminution in the value of such investments.

10. INVENTORIES

10.1. Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value.

10.2 Steel scrap and conductor scrap are valued at estimated realizable value or book value, whichever is less.

10.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the system.

10.4 Surplus materials as determined by the management are held for intended use and are included in the inventory.

11. DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure created up to March 31, 2003 (prior to the date AS-26 became mandatory) are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

12. REVENUE RECOGNITION

12.1.1 Transmission Income is accounted for based on tariff orders notified by CERC. In case of transmission projects where tariff orders are yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. In such cases, the shortage/excess, if any, is adjusted based on issuance of final notification of tariff orders by CERC. Transmission income on account of additional capitalization, if any, is accounted for on the basis of specific order by the CERC.

12.1.2. Income from short term open access is accounted for on the basis of regulations notified by CERC.

12.1.3. The Transmission system Incentive / disincentive is accounted for based on certification of availability by the respective Regional power committees and in accordance with the norms notified / approved by CERC.

12.1.4. **ADVANCE AGAINST DEPRECIATION**

12.1.4.1 Advance against depreciation (AAD), forming part of tariff pertaining upto the block period 2004-09, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.

12.1.4.2 The Outstanding deferred income in respect of AAD is recognized as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent of difference between charge of depreciation and recovery of depreciation as tariff component.

12.1.5 Surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt/certainty of receipt.

12.1.6 Liquidated damages / warranty claims and Interest on advances to suppliers are accounted for on certainty.

12.1.7 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.

12.1.8 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.

12.1.9 In respect of 'Cost-plus-consultancy contracts', involving execution on behalf of the client, income is accounted for (wherever initial advances received) in phased manner as under:

a. 10% on issue of Notice Inviting Tender for execution
b. 5% on Award of Contracts for execution
c. Balance 85% on the basis of actual progress of work including supplies

12.2.1 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.

12.2.2 Dividend income including interim dividend is recognized in the year of declaration.

13. LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)

13.1 State sector unified load dispatch centre (ULDC) assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with accretion in subsequent years is accounted for as Lease Receivables under Loans & Advances. Wherever grant in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.

13.2 Finance income on leased assets are recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levellised tariff notified/to be notified by CERC.

13.3 FERV on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

14. DEPRECIATION

14.1.1 Depreciation is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of tariff except for the following assets in respect of which depreciation is charged at the rates mentioned below:

a) Computers & Peripherals	30%
b) Mobile Phones	33.33%
c) Software	33.33%

14.1.2 ULDC assets other than assets identified to be transferred to Power System Operation Corporation Limited are depreciated @ 6.67% per annum as determined by CERC for levellized tariff.

14.1.3 Depreciation on assets identified to be transferred to Power System Operation Corporation Limited is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of RLDC Fee and Charges.

14.1.4 Depreciation on assets of telecom and consultancy business, is provided for on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.

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

14.1.6 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation as specified by the CERC.

14.1.7 Capital expenditure on assets not owned by the company is amortized over a period of four years from the year in which the first line/sub-station of the project comes into commercial operation and, thereafter, from the year in which the relevant assets are completed and become available for use.

14.1.8 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing Rs.5000/- or less, or where the written down value is Rs. 5000/- or less as at the beginning of the year, are charged off to revenue.

14.1.9 Assets costing upto Rs. 5,000/- are fully depreciated in the year of acquisition.

14.2.1 Leasehold land is depreciated over the tenure of the lease.

14.2.2 In the case of assets of National thermal power corporation limited (NTPC) , National hydro-electric power corporation limited (NHPC), North-eastern electric power corporation limited (NEEPCO), Neyveli lignite corporation limited (NLC) transferred w.e.f. April 1, 1992, Jammu and Kashmir Lines w.e.f. April 1, 1993, and Tehri hydro development corporation limited (THDC) w.e.f. August 1, 1993, depreciation is charged based on gross block as indicated in transferor's books with necessary adjustments so that the life of the assets as laid down in the CERC notification for tariff is maintained.

14.2.3 Expenditure, except the cost of equipment capitalized, incurred for activating the last mile connectivity of telecom links are amortized over the period of agreement with the customer.

15. EXPENDITURE

15.1 Pre-paid/prior-period items up to Rs.100000/- are accounted for to natural heads of account.

15.2 Expenditure of research and development, other than Capital Expenditure , are charged to revenue in the year of incurrence.

16. IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on 'Impairment of Assets' are identified at the balance sheet date with respect to carrying amount vis-à-vis. recoverable amount thereof and impairment loss, if any, is recognised in the profit & loss account. Impairment loss, if need to be reversed subsequently, is accounted for in the year of reversal.

17. EMPLOYEE BENEFITS

17.1 The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.

17.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, post retirement medical benefits & Settlement Allowance to employees are ascertained annually on on actuarial valuation at the year end and provided for.

18. PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management /independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

Annexure V

A. NOTES ON ACCOUNTS

1 a) The company owns 4703 hectare (Previous Year 4138 hectare) of land valuing Rs. 5365.6million (Previous Year Rs. 4382.7 million) which has been classified into freehold and leasehold based on available documentation.

b) The company's land in the State of Jammu & Kashmir amounting to Rs. 198.9 million (Previous Year Rs. 187.8 million) and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreements in favour of the company is pending for completion of legal formalities.

c) Freehold land includes Rs. 337.1 million (previous year Rs. 319.1 million) in respect of land acquired for residential complex at Gurgaon for which conveyance deed in favour of the Company is yet to be executed.

d) Leasehold land includes Rs. 76.4 million (previous year Rs. 76.4 million) in respect of land acquired for office complex on perpetual lease basis with an unlimited useful life at Katwaria Sarai, New Delhi and hence no depreciation is charged.

2 Township buildings includes Rs. 72.7 million (previous year Rs. 72.7 million) for 28 flats at Mumbai, for which registration in favour of the company is pending.

3 Plant and machinery under substation in fixed assets (Schedule No 6) includes company's share of Rs. 38.0 million (previous year Rs. 38.0 million) in common services and facilities of 400 KV sub-stations of Uttar Pradesh state electricity board and Rajasthan state electricity board pending execution of formal agreements for joint ownership.

4 Cash equivalent of deemed export benefits availed of Rs. 2099.9 million in respect of supplies affected for East South Inter Connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), were paid to the Customs and Central Excise Authorities in accordance with direction from Ministry of Power (Govt of India) during 2002-03 due to non availability of World Bank loan for the entire supplies in respect of ESI project and for the supplies prior to March 2000 in respect of STP. Thereafter, World Bank had financed both the ESI project and STP as originally envisaged and they became eligible for deemed export benefits. Consequently, the company lodged claims with the Customs and Excise Authorities.

During the year, company recovered deemed export benefits to the extent of Rs. 14.9 million (Previous year Rs. 43.9 million) and de-capitalized in respective assets. The cumulative amount received and de-capitalized upto 31st March 2010 is Rs. 113.4 million (Previous year Rs. 98.5 million). The company continued to show the balance of Rs. 1986.5 million as at 31st March 2010 (Previous year Rs. 2001.4 million) in capital cost of the respective assets / projects pending receipt of the same from Customs and Excise Authorities.

5 Pending reconciliation, materials amounting to Rs. 1063.3 million (previous year Rs. 478.1 million) is included under construction stores – schedule 8 as construction stores with contractors in commissioned lines.

6 The transmission systems situated in Jammu and Kashmir have been taken over by the Company w.e.f. 1st April,1993 from National Hydroelectric Power Corporation Ltd. (NHPC) upon mutually agreed terms, pending completion of legal formalities.

7 Hon'ble High Court of Karnataka has declared the Karnataka Special Tax on Entry of Certain Goods Act,2004 as illegal and directed the concerned authority to refund the amount of Entry Tax collected since inception of the Act. The government of Karnataka has filed a writ petition before divisional bench of Hon'ble Karnataka High Court which is yet to come up for hearing. The Company capitalised Rs. 136.2 million paid towards entry tax. The same will be decapitalised upon final resolution of the issue.

8 During the year 400kV Kudankulam-Tirunelveli D/C (Quad) Lines I & II have become ready for intended use of evacuation of power from the Kudankulam Atomic Power Project of Nuclear Power Corporation of India Ltd (NPC) from 01.04.2009. Accordingly these Transmission Lines were capitalized w.e.f 01.04.2009 in accordance with the Accounting Policy No. 4.4 of the Company. The generating unit of NPC is not yet commissioned. The Company has an agreement dated 13th December 2004 with NPC for indemnification of the expenditure towards interest during construction (IDC) including FERV and Govt Guarantee fees for the delay in commissioning of the generating unit for a period upto one year from the date of capitalization.

However, the tariff regulations 2009 for the block period 2009-14 provides for approving the Date of Commercial Operation (DOCO) by CERC prior to the transmission line coming into regular service for evacuation of power in respect of which petition has been filed by the Company. Pending approval of DOCO of the transmission lines by CERC and settlement of indemnification amount with NPC, no revenue has been recognized during the year.

9 Service Tax is leviable on services notified under section 65 of the Finance Act, 1994. "Transmission of Power" is not a specified service in the said list. However, The Service Tax Authorities are interpreting 'Transmission of Power' as taxable service under the head "Business Support Service" w.e.f 1st May 2006 given in the list of taxable services. Accordingly, the company has received Order-in-Original from Central Excise Department at Shillong (Rs. 660.0 million) & appealed before CESTAT, Kolkata.A Show Cause Notices from Service Tax / Central Excise Department at New Delhi (Rs. 4130.0 million & Rs. 2410.0 million) Nagpur (Rs. 2370.0 million) and Patna (Rs. 2090.0 million) along with interest and penalties leviable thereon. All the cases were transferred before Commissioner Service Tax, New Delhi vide CBEC Order No. 2/2010 dated 22.01.2010. In addition, the Service Tax Authorities are gathering information from other regional offices of the company. The company has obtained legal opinion in the matter and necessary reply and appeal have been filed with the concerned authorities.

Based on the legal opinion and the fact that transmission of power is not covered in the list of taxable services under section 65 of the Finance Act, the company has not provided for the liability on account of Service Tax on transmission charges.

CBEC vide Notification No. 11/2010 dated 27.02.2010 has exempted Transmission of Power from the Service Tax net. As the notification is silent about the past period, the matter has been referred by Ministry of Power to Ministry of Finance. The same is still pending with Ministry of Finance.

The estimated amount of Service Tax liability of Rs. 28206.8 million (including interest of Rs. 5377.1 million) for the period from 1st May, 2006 to February 2010 (Previous year Rs. 20410.0 million including interest of Rs. 3080.0 million) is shown as contingent liability for the company as a whole.

Moreover, petition has been filed with the Central Electricity Regulatory Commission (CERC) for reimbursement of service tax, if levied by revenue authorities, since service tax is an Indirect Tax and is a pass through item in transmission tariff.

10 a) Balances in Loans and Advances, material with contractors, Sundry Creditors, Advances from customers and Sundry Debtors are subject to confirmation and consequential adjustments, if any.

b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

11. Cash and Bank Balances include Rs. 345.3 million (previous year Rs. 307.2 million) on account of tax deducted at source on perquisites to employees as per the provisions of the Income Tax Act, 1961, which was deposited in a separate bank account as per Orders of the Hon'ble Calcutta High Court.

12. Bonds Series XXXI & XXXII amounting to Rs. 20475.0 million & Rs. 10350.0 million respectively issued during the year, have been classified as Secured upon execution of trust deed on 19 May 2010 (previous year Bonds Series XXIX amounting to Rs. 12975.0 million classified as unsecured pending execution of trust deed).

13. Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of Accounting Standard (AS)-7 (Revised 2002) "Construction Contracts ".

Rs. in million

	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
i)	The amount of revenue recognised on cost plus consultancy contract works	2049.5	1872.4
ii)	**The methods used to determine the contract revenue recognised in the period:** 15% of total consultancy fees upto award stage to executing agencies (out of which 10% upto issue of notices inviting tenders), 85% with progress of work including supplies (Progress of work is taken as certified by engineer in charge).	As Per Policy	As Per Policy
iii)	Cumulative amount of costs incurred on construction contracts	71284.4	59714.0
iv)	Cumulative amount of advance received from customers	85056.1	75039.7
v)	Amount of retention money with customers	417.6	398.0
vi)	Gross amount due from customers for contract works as an asset	145.3	207.4
vii)	Gross amount due to customers for contract works as a liability	10842.5	8568.6

14. a) The company has been providing for depreciation at the rates notified for the purpose of recovery of tariff, by CERC. The issue of charging depreciation at rates different from the rates specified under Companies Act, 1956 has been referred by the Comptroller & Auditor General of India (C&AG) to the Ministry of Power (MOP) during the block year 2004-09 and the same is pending for disposal. However, MOP has issued tariff policy for

the block year 2009-14, which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting.

In accordance with the Tariff Policy, CERC has notified norms for the block period 2009-14 which provides for specified depreciation rates in first 12 years and thereafter amortization of residual value over the residual life as against average 2.91% in the block period 2004-09.

Accordingly, depreciation on the transmission assets for the year has been provided as per above rates and methodology. Thus, by charging depreciation at the aforesaid rates, the depreciation charge for the year is higher by Rs. 6752.3 million as compared to the depreciation charge as per rates notified by CERC for the block year 2004-09 which were being followed upto 31/03/2009.

b) Depreciation charge for the year is lower by Rs. 506.9 million (previous year Rs. 7812.9 million) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.

15. **Effects due to changes in accounting policies during the year**

The matter regarding allocation of Common Expenses of Corporate office, Regional Offices and Projects, common to operation and construction activities, was referred to Expert Advisory Committee (EAC) of Institute of Chartered Accountant of India (ICAI). Upon receipt of Opinion from EAC, such expenses which were hitherto allocated to various diversified activities of the company viz. transmission, telecom, consultancy and Accelerated Power Development and Reform Program (APDRP) in the ratio of the respective income/reimbursement of each activity and further allocated between revenue and Incidental Expenditure during Construction in the proportion of Transmission Charges and Telecom Income to annual capital outlay have now been identified and allocated on systematic basis with retrospective effect from 1st April, 2008.

The above has resulted in increase in current year expenditure by Rs. 863.5 million & prior period expenditure by Rs. 919.2 million and thereby reduction in profit for the year by Rs. 1782.7 million with corresponding decrease in CWIP and Gross Block.

16. a) Upon the implementation of the revised pay scales as per the guidelines issued by Department of Public Enterprise (DPE) from time to time, the company has revised the pay scales for the executives effective from 01.01.2007 and the payments made during the current financial year have been adjusted against the provision held on 31.03.2009 for pay revision amounting to Rs. 2494.1 million for executives.

b) Further, a provision of Rs. 62.0 million (previous year Rs. 568.2 million) has been made towards superannuation benefit scheme for executives being the balance permissible amount under DPE guidelines for which scheme is yet to be finalized.

c) Pending the implementation of Pay revision for the supervisors and workmen, the company has made a provision of Rs. 1067.9 million (Previous Year Rs. 450.9 million) aggregating to Rs. 2799.0 million as on 31.03.2010 (previous year Rs. 1731.1 million) on an estimated basis having regard to the guidelines issued from time to time by DPE and principles of wage revision implemented in respect of executives of the company. Against the above provision, adhoc advance of Rs. 570.1 million (previous year Rs. 404.4 million) has been paid which has been included under loans and advances- Schedule no 14.

d) Further Provision for Performance Related Pay (PRP) of Rs. 749.6 million (net of adjustment of Rs 320.2 million being excess provision made last year) (Previous Year Rs. 767.8 million) has been made as per DPE guidelines, as part of wage revision in respect of Executives and Supervisors.

17. a) Central Electricity Regulatory Commission (CERC), constituted under erstwhile Electricity Regulatory Commission Act, 1998, issued orders in December, 2000 with respect to the norms, principles and availability based tariff. An appeal was filed by the Company against the above orders before the Hon'ble Delhi High Court which was subsequently transferred to the Appellate Tribunal for Electricity (ATE) on its formation. The ATE has dismissed the appeal on the ground of its power to deal with regulations notified by CERC. Against the said dismissal order of ATE, NTPC Ltd. preferred an appeal before the Honb'le Supreme Court impleading POWERGRID as one of the respondents. Since the subject matter of the appeal is for restoration of certain components of tariff on par with the erstwhile Government of India (GOI) norms, which will be more favourable than CERC norms, the impact of the appeal shall not result in reduction of revenue.

The Company has followed the CERC Tariff regulations, 2001 and 2004 for recognition of revenue for block period 2001-04 & 2004-09 respectively.

b) In exercise of powers u/s 178 of Electricity Act 2003, Central Electricity Regulatory Commission (CERC) has notified 'CERC (Terms and Conditions of Tariff) Regulations 2009' vide order dated 19th January, 2009 for determination of transmission tariff for the block period 2009-14. The norms include the following major items:

i) Return on Equity to be allowed @ 17.48% pre tax (15.5% post tax) in place of 14% post tax in the block of 2004-09.

ii) Additional return on equity @0.5% if projects are completed within the time limits specified by CERC against nil in block of 2004-09.

iii) Recovery of Depreciation @ 5.28% (T/L and S/S) in first 12 years and there after recovery based on residual value over the residual life in place of average 2.91% in the block of 2004-09.

iv) Availability Incentives linked with monthly transmission charges instead of increased return on equity in the block period 2004-09.

Transmission charges of Rs 49851.8 million for the year have been provisionally recognised based on the above norms for the block period 2009-14 and as per accounting policy of the Company pending filing of petitions. Further Rs. 10141.5 million has been recognised awaiting issuance of project specific tariff orders by CERC for which petitions have been filed.

c) As prescribed by the CERC Tariff Regulations, 2009, pending final determination of tariff by CERC as per the Tariff norms, 2009, billing has been made provisionally on the basis of tariff as approved by CERC and applicable as on 31.03.2009. The difference between recognition of income for the year 2009-10 and provisional billing has resulted in an increase in sundry debtors by an amount of Rs. 8834.8 million

d) Transmission income of Rs. 1807.7 million (previous year 2193.7 million) has been recognised as income of the year on issuance of final tariff orders by CERC in respect of provisional recognition of revenue in earlier years.

e) The tariff norms for the block period 2009-14 notified by CERC provides that the rate of return on equity (ROE) shall be computed by grossing up the base rate of 15.5% with the tax rate applicable to the Company (MAT @ 11.33%) for the year 2008-09 which shall be trued up separately for each year with respect to the actual tax rate applicable, in line with the provisions of the relevant Finance Act of the respective year, for the tariff period alongwith the tariff petition for the next tariff period. An application has filed with CERC for grossing of ROE based on the MAT rate applicable for the respective financial year. Pending disposal of application by CERC, ROE amounting to Rs. 1324.7 million, being the difference of grossing up @ 16.995% (being the MAT rate for financial year 2009-10) and @ 11.33% as aforesaid, has not been recognised.

18. Advance Against Depreciation (AAD) was included in the Transmission income on repayment of entire loan deployed in the specific project by spreading the AAD over the residual life of the project upto 31.03.2009. Due to change of tariff norms w.e.f. 01/04/2009, the same has now been taken to transmission income after 12 years from the year of commercial operation. The above income is recognised being the lower of AAD outstanding and the difference between the depreciation charge in accounts and depreciation recovery through tariff.

The change has resulted in increase in transmission income by Rs. 72.0 million and profit by same amount.

19. a) The Regional Load Despatch Centres (RLDCs) of Central Electricity Authority were transferred to the company (along with associated manpower) during the earlier years as per orders of Ministry of Power, Government of India (GOI). The Assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over.

b) The company had set up a wholly owned subsidiary company on 20th March 2009 namely "Power System Operation Corporation Limited" (POSOCO) for taking over Power System Operation Segment. The same is considered as 'Discontinuing Operation' as per Accounting Standard 24. The System Operation segment of the company along with associated manpower are in the process of being transferred w.e.f 01.04.2010. An amount of Rs. 0.5 million (Previous Year Share application money of Rs. 0.5 million) has been subscribed towards share capital. The amount of Rs. 12.8 million, incurred by the Company towards incorporation and other administrative expenses of POSOCO, has been shown as advance recoverable.

c) The Company has identified assets (Gross Block) of Rs. 2699.8 million as on 31.03.2010 to be transferred to POSOCO. Revenue of Rs. 2245.8 million (including other income mainly STOA charges and bank interest) emanating from such assets has been recognized based on the CERC (fees and charges of Regional Load Despatch Centre and other related matters) Regulations, 2009 dt 18.09.2009 notified by CERC. Pending transfer of Assets/Liabilities to POSOCO, the revenue, expenses, assets and liabilities have been depicted as a separate segment.

d) After transfer of such identified assets to POSOCO, part of the ULDC assets of the Central portion mainly communication systems and the SLDC systems consisting of the entire state portion would continue to be operated and maintained by the Company as per the committees constituted for the purpose. An application has been filed before CERC under Regulation- 44 (Power to Relax), for extending the CERC (Terms and Conditions of Tariff) Regulations, 2009 for the "Communication Systems' and "SLDC System" with certain modifications in Depreciation, O&M etc. Pending finalisation of the decision of CERC in this regard, tariff for "Communication Systems' and "SLDC System" have been accounted as per rates applicable during the previous block 2004-09.

20. a) (i) FERV loss (to the extent not exceeding the difference between the Interest on foreign currency borrowings and local currency borrowings) has been adjusted to borrowing cost amounting to Rs. 21.7 million (net of Rs. 10.5 million FERV loss for the construction projects) {previous year FERV loss of Rs. 4048.6 million (net of Rs. 1904.7 million FERV loss for the construction projects)} towards loan liabilities attributable to fixed assets.

(ii) FERV Gain of Rs. 7048.5 million (previous year FERV Loss Rs. 9677.1 million) has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.

(iii) FERV Gain of Rs. 4755.4 million (previous year FERV Loss of Rs. 5384.8 million) has been recognized in the profit and loss Account in respect of loans contracted on or after 1st April,2004 in terms of provisions of AS-11 (revised 2003)

b) Other Income for the year include an amount of Rs. 3.4 million being the FERV gain on Current Assets (previous year FERV loss of Rs. 16.9 million included in Finance Charges).

21. FERV Gain of Rs. 4713.0 million (previous year FERV Loss Rs. 8898.2 million) has been shown as FERV Payable and Rs. 14.7 million has been shown as depreciation amortisation (previous year Rs. 175.5 million depreciation write back) as per Accounting Policy No.8.3 and 8.4. In the Previous Year, Rs. 510.2 million was shown as FERV Payable on account of Prior Period Expenditure

22. Accounting of FERV as stated in note nos. 20 and 21 above has resulted in increase in profit for the year by Rs. 35.4 million (previous year reduction in profit by Rs. 869.9 million).

23. Other Income includes Rs. 265.3 million (previous year Rs. 184.2 million) being the amount transferred from Grants- in- Aid received in respect of Chandrapur HVDC, NER ULDC and Salakati as per Accounting Policy No. 3.1.

24. The company is following AS-15 (revised 2005) 'Employee Benefits' from 1st April, 2007.

Defined employee benefit schemes are as under:-

A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to profit and loss a/c. The obligation of the company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the provident fund including the return on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

B. Gratuity

The company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary (15/26 X last drawn basic salary plus, dearness allowance) for each completed year of service on superannuation, resignation, termination, disablement or on death subject to a maximum of Rs. 0.35 million on pre revised pay scales due for revision effective from 01.01.2007 for supervisors and workmen and Rs. 1 million for executives on revised pay scales implemented from 01.01.2007. The provision for additional gratuity liability on enhanced limit from Rs. 0.35 million to Rs. 1 million on revised scales due for revision for supervisors and workmen amounting to Rs. 548.8 million has been provided under wage revision. The scheme is funded by the company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation on annual basis.

C Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

D. Other Defined Retirement Benefits (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

The summarised position of various defined benefits recognized in the Profit and Loss Account, Balance Sheet and the funded status are as under:-

a) Expenses recognised in profit and loss account

(Rs. in million)

	GRATUITY		PRMF		LTC *		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current Service Cost	124.6	82.9	31.3	28.4		101.7	04.9	08.9
Interest cost on benefit obligation	120.5	100.4	53.8	37.1		11.7	6.5	5.5
Expected return on plan assets	-137.5	-116.4	-	-		-	-	-
Net actuarial (gain)/loss recognized in the year	-129.4	32.7	58.8	132.0		21.2	12.1	-5.1
Expenses recognized in the profit and loss a/c.	814.6	99.6	143.9	197.6		134.8	23.3	9.3

*Refer Note No. 25

b) Weighted average rate of return on plan assets during the year is 8.73 % (previous year 8.79%)

c) The amount recognized in the Balance Sheet

(Rs. in million)

	GRATUITY		PRMF		LTC *		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Present value of obligation as at 31/03/2010(i)	2472.5	1607.1	848.6	717.1		197.1	104.2	86.5
Fair value of plan assets as at 31/03/2010 (ii)	2267.9	1592.5	-	-				
Difference (ii) – (i)	-204.6	-14.6	- 848.6	- 717.1		-197.1	-104.2	-86.5
Net asset (liability) recognized in the Balance Sheet	-204.6	-14.6	- 848.6	- 717.1		-197.1	-104.2	-86.5

*Refer Note No. 25

c) Changes in the present value of the defined benefit obligations:

(Rs. in million)

	GRATUITY		PRMF		LTC *		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Present value of obligation as at 01/04/2009	1607.1	1434.7	717.1	531.4		166.9	86.5	78.2
Interest cost	120.5	100.4	53.7	37.2		11.7	06.5	5.5
Current Service Cost	961.0	82.9	31.3	28.5		101.7	4.9	8.9
Benefits paid	-94.7	-45.1	-12.4	-12.0		-104.4	-5.8	-1.0
Net actuarial (gain)/loss on obligation	-121.4	34.2	58.9	132.0		21.2	12.1	-5.1
Present value of the defined benefit obligation as at 31/03/2010	2472.5	1607.1	848.6	717.1		197.1	104.2	86.5

*Refer Note No. 25

d) Changes in the fair value of plan assets:

(Rs. in million)

	GRATUITY	
	Current Year	Previous Year
Fair value of plan assets as at 01/04/2009	1617.1	1369.9
Expected return on plan assets	137.5	116.4
Contribution by employer	600.0	150.0
Benefits paid	-94.7	-45.1
Actuarial gain/(loss)	-08.0	-01.5
Fair value of plan assets as at 31/03/2010	2267.9	1592.5

f) During the year the company has provided liability towards contribution to the Gratuity Trust of Rs. 812.3 million (Previous Year Rs. 172.5 million), PRMF of Rs. 131.5 million (Previous Year Rs. 185.7 million) and to ODRB of Rs. 17.6 million (Previous Year Rs. 08.3 million).

E. Other Employee Benefits

Provision for Leave encashment amounting to Rs. 40.0 million (Previous Year Rs. 387.2 million) for the year has been made on the basis of actuarial valuation at the year end and charged to Profit and Loss Account.

F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2010 are as follows:-

(Rs. in million)

		At Purchase Value	
		Current Year	Previous Year
i)	State Government Securities	284.0	247.4
ii)	Central Government Securities	452.9	395.2
iii)	Corporate Bonds/Debentures	1587.6	949.7
iv)	RBI Special Deposit	51.3	51.3
	Total	**2375.8**	**1643.6**

G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

i) Method used - Projected unit credit (PUC)
ii) Discount rate - 7.5% (Previous Year 7%)
ii) Expected rate of return on assets (Gratuity only) – 8.50 % (Previous Year 8.50%)
iv) Future salary increase- 5% (Previous Year 4.50%)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market.

25. In the pay revision implemented for executives, expenditure on account of Leave Travel Concession (LTC) has been included as one of the component of perquisites w.e.f. 26.11.2008. Now a fixed sum is being paid to executives on account of LTC on monthly basis. Similar provision has also been made in respect of wage revision due for the supervisors and workmen category of employees. Accordingly, LTC which was hitherto being accounted for on the basis of actuarial valuation on annual basis is now being accounted based on actual expenditure incurred. Provision for unclaimed LTC of Rs. 174.5 million has been written back including a sum of Rs. 147.2 million (adjusted against the General Reserve as per the transitional provisions of AS-15 in the Financial Year 2007-08) which has been directly credited to General Reserve.

26. Segment Reporting

(Rs. in million)

	Transmission		Consultancy		Telecom		ULDC/RLDC			Elimination		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year		Previous Year ULDC / RLDC	Current Year	Previous Year	Current Year	Previous Year
Revenue:							Power System Operation Assets *	Other Assets					
Revenue from Operations	66814.2	54335.9	2770.8	2175.4	1588.3	1500.5	2245.8	1373.0	3180.0			74792.1	61191.8
Inter Segment Revenue					84.6	32.1				-84.6	-32.1		0.0
Net Revenue from Operations	66814.2	54335.9	2770.8	2175.4	1672.9	1532.6	2245.8	1373.0	3180.0	-84.6	-32.1	74792.1	61191.8
Segment result	23835.0	21294.0	1455.5	1015.5	68.9	-321.2	417.7	381.5	177.4			26158.6	22165.7
Unallocated Corporate interest and other income												298.4	195.5
Unallocated corporate expenses, interest and finance charges												193.8	75.5
Income tax (Net)												5853.8	5379.6
Profit after Tax												20409.4	16906.1
Other information:													
Segment Assets	556226.0	475776.4	1277.0	1754.6	8379.8	8506.3	32786.0	10359.9	28755.6			609028.7	514792.9
Unallocated Corporate and other assets												26611.1	28409.0
Total Assets												635639.8	543201.9
Segment Liabilities:	382837.9	322565.4	16527.9	13418.3	7023.9	7039.6	31271.4	9016.9	26451.1			446678.0	369474.4
Unallocated Corporate and other liabilities												26608.7	25293.1
Total liabilities												473286.7	394767.5
Depreciation	18357.7	9932.9	3.0	02.2	470.7	485.2	628.4	337.1	519.4			19796.9	10939.7
Note : Loss of Telecom segment has been reduced by the amount of inter segment revenue with a corresponding decrease in profit of Transmission segment.													

* Identified for transfer to Power System Operation Corporation Ltd.

a) **Business Segments**

The company's principal business is transmission of bulk power across different States of India. However, Power System Operation Assets, ULDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 28 of AS-17 "Segment Reporting".

b) **Segment Revenue and Expense**

Revenue directly attributable to the segments is considered as Segment Revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as segment expenses. Consultancy allowance paid to all the employees has been considered as expense of 'Consultancy Segment'.

c) **Segment Assets and Liabilities**

Segment assets include all operating assets comprising of net fixed assets, construction work-in-progress, construction stores, investments, loans and advances and current assets. Segment liabilities include loan liabilities, current liabilities and provisions.

d) The company has transmission projects located within the country and no geographical segment is distinguishable.

27. **Related Party Disclosures:-**
a) Related Parties:-

i) List of Joint Ventures:-

Powerlinks Transmission Limited, Torrent Power Grid Limited, Jaypee Powergrid Limited, Parbati Koldam Transmission Company Ltd, POWERGRID IL&FS Transmission Pvt. Ltd.*, Teestavalley Power Transmission Limited, North East Transmission Company Limited, National High Power Test Laboratory Private Limited, Energy efficiency Services Limited.

ii) **Subsidiaries**:-
Byrnihat Transmission Company Limited**
Power System Operation Corporation Limited

* JV is under liquidation u/s 560 of Companies Act 1956.
** Filing of liquidation of the subsidiary is under process.

28. **Key Management Personnel**

Sh. S.K. Chaturvedi	Chairman and Managing Director
Sh. J. Sridharan	Director (Finance)
Sh. V.M. Kaul	Director (Personnel)
Sh. R.N.Nayak	Director (Operations) (w.e.f. 16th May, 2009)
Sh. I.S.Jha	Director (Projects) (w.e.f. 1st September, 2009)
Dr. P.K. Shetty	Director
Dr. A.S. Narag	Director
Sh. Anil K. Agarwal	Director
Sh. F.A. Vanderavala	Director
Sh. S.C. Tripathi	Director
Sh. Ashok Khanna	Director
Smt. Sarita Prasad	Director
Sh. Sudhir Kumar	Director (w.e.f. 22nd May,2009 to 10th December,2009)
Sh. Rakesh Jain	Director (w.e.f. 09th June, 2009)
Sh. I.C.P Keshari	Director (from 6th March,2009 to 21st May,2009)
Sh. M. Ravi Kant	Director (w.e.f. 11th December,2009)
Sh. S. Majumdar	Director (Projects) (Superannuated on 31st August, 2009)

b) Transactions with the related parties at a (i) above are as follows:

(Rs. in million)

Particulars	Current year	Previous Year
Contracts for Works/Services for services received by the Company		
• Transactions during the year	Nil	Nil
• Amount recoverable from related parties	Nil	Nil
• Amount payable to related parties	Nil	Nil
Contracts for Works/Services for services provided by the Company		
• Transactions during the year*	473.2	97.0
• Amount recoverable from related parties*	353.5	168.3
Dividend Received	229.3	183.5
Deputation of Employees		
• Transactions during the year	Nil	0.3
• Amount recoverable from the related parties	Nil	Nil

*This does not include transactions with respect to an agreement with Powerlinks Transmission Ltd. Under which transmission charges for transmission line associated with Tala hydro electric power project are raised by Powerlinks Transmission Ltd. To the company which pay the same and collect from the respective beneficiaries.

29. Remuneration to whole time directors including chairman and managing director is Rs. 15.8 million (previous year Rs. 4.5 million) and amount of dues outstanding to the company as on 31st March, 2010 are Rs. 0.9 million (previous year Rs. 0.6 million). Director's sitting fee Rs. 2.5 million (Previous Year Rs. 1.3 million) for independent directors.

30. Employees' remuneration and benefits include the following for the directors, including chairman and managing director and excluding arrears paid to ex-directors.

(Rs. In million)

	Current Year	Previous year
Salaries and Allowances	12.9	3.6
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	1.0	0.3
Other benefits	1.9	0.7
Directors fees	2.0	1.3

31. In addition to the above remuneration, the whole time directors have been allowed to use the staff car (including for private journeys) on payment of Rs. 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dt. 29th November, 1964 as amended.

32. **Disclosures regarding leases**

a) Finance Leases :-

Loans and Advances (Schedule 14) include lease receivables representing the present value of future lease rentals receivable on the finance lease transactions entered into by the company with the constituents in respect of State Sector ULDC, as per the Accounting Standard (AS) – 19 "Leases" issued by the Institute of Chartered Accountants of India.

The reconciliation of the lease receivables (as per project cost data submitted to / approved by CERC for tariff fixation) is as under:

Rs. In million

Particulars	**Amount as on 31.03.2010**	**Amount as on 31.03.2009**
Gross value of assets acquired and leased at the beginning of the year	9585.7	9279.6
Add : Adjustment for gross value of assets acquired prior to the beginning of the year.	304.5	306.1
Revised Gross value of the assets at the beginning of the year	9890.2	9585.7
Less : Capital recovery provided up to the beginning of the year	2661.2	138.7
Add : Capital recovery for assets acquired prior to the beginning of the year.	8.5	(13.0)
Revised Capital recovery provided up to the beginning of the year	2669.7	2125.8
Capital recovery outstanding as on 31st March of last financial year	7220.5	7459.9
Less : Capital recovery for the current year	585.4	535.4
Lease receivables (*)	6635.1	6924.5

(*) Does not include additional capitalisation which are subject to approval of CERC.

The value of contractual maturity of such leases as per AS-19 are as under :-

Rs. In million

Particulars	**Amount as on 31.03.2010**	**Amount as on 31.03.2009**
Gross investment in lease	9212.6	9874.0
Unearned finance income	2577.5	2949.5
Present value of minimum lease payment (MLP)	6635.1	6924.5

Gross investment in lease and present value of minimum lease payments receivables as at 31st March, 2010 for each of the periods are as under:

Rs. In million

Particulars	**Gross Investment in lease**		**Present Value of MLPs**	
	2009-10	**2008-09**	**2009-10**	**2008-09**
Not later than one year	1133.3	1085.9	627.6	573.4

Later than one year and not later than five years	4533.4	4343.5	3011.7	2740.0
Later than five years	3545.9	4444.6	2995.8	3611.1
Total :	9212.6	9874.0	6635.1	6924.5

The unearned finance income as on 31st March, 2010 is Rs. 2577.5 million (previous year Rs. 2949.5 million).

b) Operating leases:-

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and guest houses/transit camps are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include Rs. 196.1 million (Previous Year Rs. 143.6 million) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of Rs. 54.0 million (Previous Year Rs. 50.0 million) in respect of premises for offices and guest house/transit camps are shown under Rent in Schedule-23 – Transmission, Administration and Other expenses.

33. Earning per share calculated in accordance with the provisions of AS-20

Numerator	As at 31.03.2010	As at 31.03.2009
Profit after tax as per Profit and Loss Account (Used as Numerator) (Rs. In million)	20409.4	16906.1
Denominator		
Number of equity shares (Face value of Rs. 10/- each)	4208841230	4208841230
Number of Shares allotted during the year	NIL	NIL
Weighted Average number of equity shares for calculating Basic and Diluted earning per share	4208841230	4208841230
Basic and Diluted earning per share (Rs. / per share) (Face value of Rs. 10/- each)	4.85	4.02

34. **Consolidated Financial Statements**

The company has made investments of Rs. 0.5 million each in the equity shares of wholly owned subsidiary companies (i) Byrnihat Transmission Company Ltd. (liquidation proceedings initiated) and (ii) Power System Operation Corporation Limited (POSOCO).

No consolidated financial statements are prepared since the transactions of the subsidiaries are not material.

35. During the year the company has provided Rs. 1649.7 million (previous year Rs. 447.6 million) as deferred tax liability.

Major components of deferred tax liabilities and assets are given as under:

Rs. in million

Particulars		As at 31.03.2010	As at 31.03.2009
Deferred Tax Liability			
Towards Fixed Assets (Net)	(A	**7553.1**	**5686.0**
Deferred Tax Asset			
Transfer to Self Insurance Reserve		6.9	8.2
Income during Construction		169.1	68.1
Wage revision and Employee Benefits		56.2	174.2
Provisions		121.9	50.1
Other Miscellaneous		163.9	-
Sub Total	**(B**	**518.0**	**300.6**
Net Deferred Tax Liability	**(A-]**	**7035.1**	**5385.4**

36. Joint Venture entities:-

Name of the company	Proportion of ownership as on 31/03/2010 % age	Proportion of ownership as on 31/03/2009 % age
Powerlinks Transmission Limited	49%	49%
Torrent Power Grid Limited	26%	26%
Jaypee Powergrid Limited	26%	26%
Parbati Koldam Transmission Company Ltd	26%	26%
Powergrid IL&FS Transmission Private Limited*	50%	50%
Teestavalley Power Transmission Limited	0.02%	26%

North East Transmission Company Limited	30.917%	26%
National High Power Test Laboratory Private Limited	25%	
Energy Efficiency Services Limited	25%	

***Under liquidation u/s 560 of Companies Act, 1956**

In addition, the share application money of Rs. 130.0 million, Rs. 150.3 million and Rs. 243.8 million given to Jaypee Powergrid Limited, Teestavalley Power Transmission Limited and Energy Efficiency Services Limited respectively, has been included in Advance – Others in Schedule no. 14 pending allotment of shares.

Under the Transmission Service Agreement (TSA) with Powerlinks Transmission Ltd, the company has an obligation to purchase the JV company (Powerlinks Transmission Ltd) at a buyout price determined in accordance with the TSA. Such an obligation may result in case JV company (Powerlinks Transmission Ltd) serves a termination notice either on "POWERGRID event of default" or on "force majeure event" prescribed under TSA. No contingent liability on this account has been considered as the same is not ascertainable.

The company's share in assets and liabilities as on 31st March 2010 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

Rs. in million

		31/03/2010	31/03/2009
A.	Assets		
	• Long Term Assets	9183.1	7383.5
	• Investments	393.3	634.6
	• Current assets	1704.1	832.0
	• Profit and Loss A/C	11.8	4.5
	• Misc Expenditure	4.8	4.8
	Total	11297.0	8859.3
B.	Liabilities		
	• Equity	3941.9	2968.2
	• Long Term Liabilities	6392.7	5357.7
	• Current Liabilities and Provisions	962.4	533.4
	Total	11297.0	8859.3
C.	Contingent Liabilities	1.3	14.4
D.	Capital Commitments	3308.6	777.5
		Current Year	Previous Year
E.	Income	1546.8	1318.7
F.	Expenses(Including provision for taxes)	1023.0	999.7

37. In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05 and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised. Similarly, impairment analysis of telecom assets was carried out during 2006-07 and since the recoverable amount was more than the carrying amount of assets, no impairment loss was recognized. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.

38. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 209521.4 million (previous year Rs. 164182.4 million).

39. No provision has been made for tax demands amounting to Rs. 1946.8 million (previous year Rs. 1726.9 million) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same have been shown as contingent liabilities under schedule no 18.

40. Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

<u>Contingent Liabilities:</u>

a) Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court/appellate authorities/ out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals.

b) Reimbursement of outflow in respect of 'Claim against the Company not acknowledged as debt' and 'Disputed tax demands-Income Tax' (limited to Income Tax on core activity only)/and service tax on transmission charges as stated in Schedule 18 of Contingent Liability, is dependent on the admittance of petition to be filed with CERC and in remaining cases no reimbursement is expected.

41. a) Based on the information available with the company, there are no suppliers/service providers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as on 31st March, 2010.

b) No payment is due for more than 30 days as at 31st March, 2010 in respect of purchases / services made from small scale/ancillary industries.

42. **a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

Rs. in million

		Current Year	Previous Year
i)	Capital Goods	4705.0	11261.6
ii)	Spare Parts	17.6	10.2

b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

Rs. in million

		Current Year	Previous Year
i)	Professional and Consultancy fees	20.5	31.4
ii)	Interest	2076.6	3419.2
iii)	Others	263.8	191.6

c) VALUE OF COMPONENTS, STORES AND SPARE PARTS CONSUMED :

Rs. in million

	%	Current Year	%	Previous Year
i) Imported	1.77%	7.9	5.73%	16.0
ii) Indigenous (Including fuel)	98.23%	439.5	94.27%	263.4

d) EARNINGS IN FOREIGN EXCHANGE

Rs. in million

	Current Year	Previous Year
Interest	0.0	2.9
Consultancy Fee	23.7	7.2

43. **ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i) **REGISTRATION DETAILS :**

Registration No.	L40101DL1989GOI038121
State Code	55
Balance Sheet Date	31st March 2010

ii) **CAPITAL RAISED DURING THE YEAR**

Rs. in million

Public Issue	Nil
Rights Issue	Nil
Private Placement, pursuant to a contract, for consideration other than cash (Issued to Govt. of India)	Nil
Bonus Issue	Nil

iii) **POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

Rs. in million

Total Liabilities	635675.4
Total Assets	635675.4

Sources of funds	
Paid up Capital	42088.4
Reserves and Surplus	117330.6
Secured Loans	313457.8
Unsecured Loans	30710.1
Advance against Depreciation	22136.3
Grants in Aid	1988.2
Deferred Tax Liability	7035.1

Application of Funds	
Net Fixed Assets	320612.6
Capital Work-in-Progress (including Construction, Stores and Advances)	204221.8
Investments	14532.2
Net Current Assets	(4655.7)
Miscellaneous Expenditure	35.6

iv) **PERFORMANCE OF COMPANY**

Rs. in million

Turnover/Income	71274.5
Other Income (including Transfer from Grants in Aid)	3761.3
Total expenditure	48772.6
Profit before Tax	26263.2
Profit after MAT and Deferred tax	20409.4
Earning per share (Basic) (Rs.)	4.85
Dividend Amount	6313.4

v) **GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY**

Item code no. : Not Applicable
Product Description : Transmission, Central Transmission Utility function.

44 . a) Figures have been rounded off to nearest rupees in million.
b) Previous year figures have been regrouped / rearranged wherever necessary.

Statement of Dividend			*Annexure VI*
			(Rs. in Million)
Particulars	**Fiscal**	**Fiscal**	**Half Year Ended September 30,**
	2009	2010	2010 **(Unaudited Reviewed)**
No. of Equity Shares of Rs.10 each (in million)	4208.8	4208.8	4208.8
Rate of Dividend (%)			
Interim	5.0	5.0	0.0
Final	7.0	10.0	0.0
Amount of Dividend on Equity Shares (Rs. in million)			
Interim	2104.6	2104.6	0.0
Final	2946.2	4208.8	0.0
Total Dividend Tax paid (Rs. in million)	**858.4**	**1056.7**	**0.0**

Statement of Accounting Ratios *Annexure VII*

Particulars	Fiscal Year Ended March 31,		Half Year Ended September 30,	
	2009	2010	2009 (Unaudited Reviewed) (*)	2010 (Unaudited Reviewed) (*)
Basic Earning Per Share (Rs.)	4.02	4.85	2.39	3.22
Diluted Earning Per Share (Rs.)	4.02	4.85	2.39	3.22
Net Assets Value per Share (Rs.)	34.73	37.81	37.13	40.96
Return on Net Worth(%)	11.57	12.83	6.44	7.86
Profit After Tax (Rs. In million)	16906.1	20409.4	10065.8	13545.8
Weighted Average No. of Shares for Basic EPS	4208841230	4208841230	4208841230	4208841230
Weighted Average No. of Shares for Diluted EPS	4208841230	4208841230	4208841230	4208841230
No of Shares at the end of the Year	4208841230	4208841230	4208841230	4208841230
Net Worth (Rs.in Millons)	146180.9	159135.1	156255.9	172410.1

(*) Ratios for Half Year ending Sep 30th, 2009 & Sep. 30th, 2010 have not been Annualised.

Formula:

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after Tax}}{\text{No. of Equity Share Outstanding at the end of the Year/Period}}$$

$$\text{Net Assets Value Per Share (Rs.)} = \frac{\text{Net Worth}}{\text{No. of Equity Share Outstanding at the end of the Year/Period}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}}$$

Notes :

1 Earning per share is calculated in accordance with Accounting Standard (AS)-20 "Earning Per Share" notified under the Companies (Accounting Standards) Rules, 2006.

2 Net worth means paid-up share capital plus reserves & surplus.

3 Earning per share (basic and diluted) and return on net worth for the half year ended September 30, 2010 are not annualised.

Capitalisation Statement			*Annexure VIII* *(Rs. in Million)*
Sr.No.	**Particulars**	**Pre-issue As at September 30, 2010**	**Post Issue (As adjusted for issue)**
A.	Debt :		
	a) Short Term Debt	5000.0	0
	b) Long Term Debt	361240.2	0
B.	Shareholders' Funds :		
	a) Equity Share Capital	42088.4	0
	b) Reserves & Surplus	130351.1	0
	C) Less. Miscellaneous Expenditure not Written off	29.4	
	Total Shareholders' Funds (Equity)	**172410.1**	**0**
C.	Long-term Debt/Equity	68:32	

Notes :

1. There will be no change in the capitalisation statement post issue as the issue is in connection with the 'Further Public Offering' of equity by the selling shareholders.
2. Short term debts represent debts which are due within 12 months from September 30, 2010.
3. Long term debts represent debts other than short term debts as defined in (2) above.

Revenue from Operations			*Annexure IX a*
			(Rs. in Million)
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,**
	2009	**2010**	**2010 (Unaudited Reviewed)**
Revenue from Transmission Charges	57456.4	66304.2	37743.4
Less: Advance Against Depreciation	4646.6	629.7	7.0
Add: Revenue Recognised out of AAD	18.6	89.3	19.5
	52828.4	**65763.8**	**37755.9**
Income from Short Term Open Access	414.2	1241.8	1088.4
Consultancy, Project Management and Supervision Fees	2159.0	2691.7	1519.5
Revenue from Telecom	1498.3	1577.2	893.7
Total	**56899.9**	**71274.5**	**41257.5**

STATEMENT OF OTHER INCOME			*Annexure IX b*
			(Rs. in Million)
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,**
	2009	**2010**	**2010 (Unaudited Reviewed)**
Dividend on Trade Investments	195.4	243.7	427.2
Interest Income - Bonds and Long Term Advances	1329.9	1164.1	520.0
Interest Income - Banks / Others	1766.9	1791.9	1099.0
Deferred Income (Transfer from Grants-in-Aid)	184.2	265.3	132.7
Operational Charges in respect of Short Term open excess	201.9	251.9	129.9
Transfer from Insurance Reserve	0.4	3.4	4.5
Lease Income - State Sector ULDCs	758.5	564.5	247.0
Surcharge	10.0	79.5	5.7
Hire Charges for Equipments	3.0	3.9	1.4
Provision Written Back	0.4	2.1	376.1
Others / Misc. Income	575.6	599.3	149.1
	5026.2	4969.6	3092.6
Less: Transfer to Incidental Expenditure during construction	538.9	1208.3	623.5
Total	**4487.3**	**3761.3**	**2469.1**

Transmission, Administration & Other Expenses			*Annexure IX c*
			(Rs. in Million)
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,**
	2009	**2010**	**2010 (Unaudited Reviewed)**
Repair & Maintenance			
Buildings	157.1	169.7	57.8

Plant & Machinery			
Sub Station	838.7	946.0	490.2
Transmission lines	189.6	364.7	135.3
Construction Equipment	0.0	0.2	0.0
Others	234.1	282.7	166.6
TOTAL	**1419.5**	**1763.3**	**849.9**
Power charges	509.7	613.5	345.3
Less: Recovery from contractors	4.5	3.6	0.7
Net Power charges	**505.2**	**609.9**	**344.5**
Operating Expenses of Disel Generating Sets	24.0	25.3	16.2
Stores & spares consumed	0.2	0.3	0.2
Water charges	5.1	8.5	5.9
Right of Way charges(Telecom)	42.1	41.8	19.9
	1996.1	**2449.1**	**1236.7**
Training & Recruitment expenses	51.7	184.0	101.6
Less: Fees for training and application	5.3	8.8	9.6
Net Training & Recruitment expenses	**46.4**	**175.2**	**92.0**
Legal expenses	45.1	44.1	13.9
Professional & Consultancy Expenses(Including TA/DA)	34.6	108.2	51.5
Communication expenses	79.4	83.9	42.5
Travelling & Conveyance Expenses			
Local Travels	369.5	449.9	238.0
Foreign Travel	38.9	43.5	17.3
Total travelling and conveyance expenses (net of IEDC)	**408.4**	**493.4**	**255.3**
Tender expenses	24.7	39.6	16.0
Less: Sale of tenders	0.8	1.0	0.2
Net Tender expenses	**23.9**	**38.6**	15.8
Remuneration to auditors			
Audit Fees	1.4	1.5	0.4
Tax Audit Fees	0.4	0.4	0.1
Quarterly Review Fees as per SEBI	1.0	1.1	0.7
Annual Review Fees as per DOT	0.2	0.7	0.0
In Other Capacity	0.7	1.3	1.4
Lodging, boarding & travelling expenses	2.8	5.4	2.9
Reimbursement of Service Tax	0.4	0.5	0.2
Advertisement and publicity	61.4	84.6	35.2
Printing and stationery	30.7	60.2	16.9
Books Periodicals and Journals	36.9	17.6	10.1
EDP hire and other charges	19.3	22.4	12.5
Entertainment expenses	8.3	14.6	6.2
Brokerage & Commission	4.1	1.6	0.8
Donations	71.0	0.0	0.0
Research & Development expenses	5.0	0.2	3.0
Cost Audit Fees	0.5	1.9	0.5
Rent	35.7	43.4	22.3
Miscellaneous expenses	115.3	132.4	86.8
Horticulture Expenses	33.0	39.2	21.1

Security Expenses	347.7	440.8	242.7
Hiring of Vehicle	259.9	301.4	164.4
Insurance	116.7	109.0	70.4
Rates and taxes	183.8	200.9	100.5
Bandwidth charges, dark fibre lease charges (Telecom) etc	95.6	79.9	44.5
Expenditure on Corporate Social Responsibility	0.0	42.9	24.8
Non operating expenses	2.4	2.6	0.2
Transit Accommodation Expenses	20.2	30.4	14.7
Less : Recovery for usage	4.5	4.7	2.7
Net Transit Accommodation Expenses	15.7	25.7	12.0
TOTAL	**4083.8**	**5024.7**	**2588.2**
Less: Recoverable from MOP on account of APDRP	6.7		0.0
Add: on Disposal/Write off of Fixed Assets	39.0	49.6	23.7
TOTAL	**4116.1**	**5074.3**	**2611.9**

Share Capital *Annexure X*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 (Unaudited Reviewed)
A. Authorized Capital			
10,00,00,00,000 equity shares of Rs. 10/- each	100000.0	100000.0	100000.0
B. Issued, Subscribed and Paid-Up Capital before the Issue			
4,20,88,41,230 (Previous Year 4,20,88,41,230) equity shares of Rs 10/-each fully paid up	42088.4	42088.4	42088.4
Of the above 1,81,25,29,500 (Previous Year 1,81,25,29,500) equity shares have been allotted as fully paid up persuant to GOI notification without payment being received in cash.			
TOTAL	**42088.4**	**42088.4**	**42088.4**

Reserve & Surplus ***Annexure XI***

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 **(Unaudited Reviewed)**
Share Premium	15831.4	15831.4	15831.4
Self Insurance Reserve			
Through Appropriation of Profit	1272.5	1650.0	1843.8
Through Charge to Profit & Loss A/c	687.5	684.1	684.1
LDC Development Fund	0.0	164.4	359.7
CSR Activity Reserve	0.0	83.9	161.1
Bonds Redemption Reserve	15791.4	20430.8	21847.8
General Reserve	70095.5	78242.7	78242.7
Balance in Profit & Loss A/c	469.2	243.3	11901.3
TOTAL	**104147.5**	**117330.6**	**130871.9**

Advance Against Depreciation *Annexure XII*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 **(Unaudited Reviewed)**
Advance Against Depreciation			
Opening Balance	16970.7	21595.9	22136.3
Addition	4646.6	629.7	7.0
Deduction	21.4	89.3	19.5
Closing Balance	**21595.9**	**22136.3**	**22123.8**

Grants in Aid			***Annexure XIII*** *(Rs. in Million)*
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,**
	2009	**2010**	**2010 (Unaudited Reviewed)**
Grants in Aid			
Opening Balance	2468.0	2253.5	19882
Addition	0.0	0.0	0.0
Deduction	214.5	265.3	131.3
Closing Balance	**2253.5**	**1988.2**	**1856.9**

STATEMENT OF SECURED AND UNSECURED LOANS

Annexure XIV

(Rs. in Million)

Description	Fiscal Year Ended March 31,		Half Year Ended September 30,	
	2009	2010	2009 (Unaudited Reviewed)	2010 (Unaudited Reviewed)
SECURED LOANS				
LOANS THROUGH BONDS				
BONDS VI SERIES				
13% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs.1000/- each redeemable at par in 10(ten) equal annual installments w.e.f 6th December, 2002	300.0	200.0	300.0	200.0
Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System				
BONDS VIII SERIES				
10.35% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs.1000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27th April, 2005 Secured by floating charge over the Fixed Assets of the Corporation	120.0	100.0	100.0	80.0
BONDS IX SERIES				
12.25% Taxable, Secured, Redeemable, Non-cummulative, Non- convertible Bonds of Rs. 0.10 million each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003 Secured by way of Registered Bond Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	2306.0	1729.5	1729.5	1153.0
BONDS X SERIES				
10.90% Taxable , Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs. 1.20 million each redeemable at par in 12 (twelve) equal annual instalments w.e.f 21.06.2004	4442.2	3807.6	3807.6	3173.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of CTP-I,Farakka & Chamera Transmission system				
BONDS XI SERIES				
9.80% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 30 million each consisting of 12 STRPPs of Rs 2.50 million each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 07-12-2005	3620.0	3167.5	3620.0	3167.5

Secured by way of Registered Bond Trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Anta, Auriya,Moga-Bhiwani, Chamera-Kishenpur, Sasaram				
BONDS XII SERIES				
9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 15 million each consisting of 12 STRPPs of Rs 1.25 million each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 28.03.2006.	1230.0	1076.2	1230.0	1076.2
Secured by way of Registered Bond Trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage and hypothecation on assets of Kayamkulam & Ramagundam Hyderabad Transmission System				
BONDS XIII SERIES				
8.63% Taxable, Secured, Redeemable, Non-cumulative, Non- convertible Bonds of Rs 15 million each consisting of 12 STRPPs of Rs 1.25 million each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006.	6075.0	5400.0	5400.0	4725.0
Secured by way of Registered Bond Trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission				
BONDS XIV SERIES				
6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 17.07.2004. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the Company.	4077.5	3495.0	3495.0	2912.5
BONDS XV SERIES				
6.68% Taxable,Secured, Non-Cumulative, Non-convertible Bonds of Rs.15 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (twelve) equal annual instalments w.e.f 23.02.2008. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	7500.0	6750.0	7500.0	6750.0
BONDS XVI SERIES				
7.10% Taxable, Secured,Redeemable, Non-Convertible,Non-Cumulative Bonds of Rs 10 million each consisting of 10 STRPP's of Rs 1 million each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009	6750.0	6000.0	6750.0	6000.0

Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XVII SERIES				
7.39% Taxable,Secured, Redeemable, Non-convertible, Non-cumulative Bonds of Rs 10 million each consisting of 10 STRPP's of Rs. 1 million each redeemable at par in 10(ten) equal annual installments w.e.f 22.09.2009 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	10000.0	9000.0	9000.0	8000.0
BONDS XVIII SERIES				
8.15% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 each redeemable at par in 12(twelve) equal annual installments w.e.f 09.03.2010. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	9990.0	9157.5	9990.0	9157.5
BONDS XIX SERIES				
9.25% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 24.07.2010 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	4950.0	4950.0	4950.0	4537.5
BONDS XX SERIES				
8.93% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 07.09.2010 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	15000.0	15000.0	15000.0	13750.0
BONDS XXI SERIES				
8.73% Taxable, Secured,Redeemable, Non-Convertible,Non-Cumulative Bonds of Rs 15 million each consisting of 12 STRPP's of Rs 1.25 million each redeemable at par in 12 (Twelve) equal annual installments w.e.f. 11.10.2010	5100.0	5100.0	5100.0	5100.0

Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXII SERIES				
8.68% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 07.12.2010.	6900.0	6900.0	6900.0	6900.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXIII SERIES				
9.25% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 09.02.2011	3075.0	3075.0	3075.0	3075.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXIV SERIES				
9.95% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 26.03.2011	7995.0	7995.0	7995.0	7995.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXV SERIES				
10.10% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 12.06.2011	10650.0	10650.0	10650.0	10650.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXVI SERIES				
9.30% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 07.03.2012	9990.0	9990.0	9990.0	9990.0

Ssecured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. **BONDS XXVII SERIES**				
9.47% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 31.03.2012 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. **BONDS XXVIII SERIES**	7050.0	7050.0	7050.0	7050.0
9.33% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 15.12.2012 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. **BONDS XXIX SERIES**	24000.0	24000.0	24000.0	24000.0
9.20% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 12.03.2013 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. *** Included under Unsecured Loans in previous year due to non completion of legal formalities**		12975.0	12975.0	12975.0
BONDS XXX SERIES				
8.80% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 29.09.2013 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.		23325.0	23325.0	23325.0
BONDS XXXI SERIES				
8.90% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 25.02.2014		20475.0		20475.0

Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXXII SERIES				
8.84% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 29.03.2014		10350.0		10350.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
BONDS XXXIII SERIES				
8.64% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 12.03.2013				28800.0
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.				
	151120.7	**211718.3**	**183932.1**	**235367.2**
Term Loans from Banks/ Financial Institutions				
Secured by a floating charge on the fixed assets of the Company				
Indian Overseas Bank	400.0	300.0	400.0	300.0
Corporation Bank	450.0	350.0	400.0	300.0
Punjab National Bank-Loan-I	800.0	600.0	800.0	600.0
Punjab National Bank-Loan-II	1750.0	1500.0	1750.0	1500.0
Oriental Bank of Commerce	1458.4	1250.0	1458.3	1250.0
Life Insurance Corporation of India-II	4399.5	3657.8	4399.5	3657.7
Life Insurance Corporation of India-III	362.4	296.6	362.4	296.6
	9620.3	7954.4	9570.2	7904.3
ICICI Bank Ltd.				
Secured by first pari passu charge over the assets of the Company	600.0	450.0	450.0	300.0
Bank of India, Cayman Islands	3798.4	3124.8	3451.0	2989.5
Secured by a Floating charge on the immovable properties of the company				
Loan from Asian Development Bank , Philippines (Guaranteed by Govt. of India)				
ADB-I	6540.0	5047.8	5774.8	4623.1
Secured by pari passu interest in the liens created on the assets as security for the debts.				
ADB-II	11681.3	9871.6	10758.4	9567.2
Secured by pari passu interest in the liens created on the assets as security for the debts.				
ADB-III	14061.1	15914.0	15551.4	16146.4

Secured by pari passu interest in the liens created on the assets as security for the debts.				
	32282.4	30833.4	32084.6	30336.7
Loan from International Bank for Reconstruction and Development,USA (Guaranteed by Govt. of India)				
PSDP I	5151.2	3723.1	4636.7	3427.2
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system.				
PSDP-II	20257.7	16969.6	18575.0	16374.8
Secured by pari passu interest in the liens created on the assets as security for the debts.				
PSDP-III	18674.2	17595.8	18571.3	17938.6
Secured by pari passu interest in the liens created on the assets as security for the debts.				
PSDP-IV	11377.6	21088.4	18174.4	21930.4
Secured by pari passu interest in the liens created on the assets as security for the debts.				
	55460.7	59376.9	59957.4	59671.0
	101761.8	101739.5	105513.2	101201.5
Total Secured Loans	**252882.5**	**313457.8**	**289445.3**	**336568.7**
UNSECURED LOANS				
LOANS THROUGH BONDS				
BONDS XXIX SERIES				
9.20% Taxable,Secured,Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 15 million each consisting of 12 STRPP's of Rs. 1.25 million each redeemable at par in 12(twelve) equal annual installments w.e.f 12.03.2013	12975.0			
To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. ***Bonds XXIX series are included under Secured Loans in Current year**				
Loans in Indian Currency				
Short Term Loans from Banks	7500.0	12500.0	7500.0	5000.0
Term Loans				
Power Finance Corporation Limited	350.0	250.0	300.0	200.0
	7850.0	12750.0	7800.0	5200.0

Loans in Foreign Currency				
From Overseas Branches of Indian Banks				
State Bank of India, U.K.				
From Foreign Banks & Financial Institutions				
Loans Guaranteed by Govt of India				
a. Natixis Banque (Formerely Credit National), France	1370.0	1153.0	1381.2	1124.5
b.Japan International Cooperation Agency(Formerely Japan Bank for International Cooperation),Japan	1725.9	1517.3	1725.0	1634.9
c. European Investment Bank,Luxembourg	945.8	695.9	890.8	621.6
	4041.7	3366.2	3997.0	3381.0
To be secured				
(Pending creation of security by way of pari passu interest in the liens created on the assets as security for the debts)				
a) ADB-IV		1153.8	937.9	3922.6
b) ADB-V		117.8		357.6
c) PSDP-IV (Addl.)		7470.0	4921.8	11059.2
d) PSDP-V		548.1		724.8
		9289.7	5859.7	16064.2
Others				
Kreditanstalt fur Wiederaufbau, Germany	5584.0	4137.1	5200.1	3865.4
Skandinaviska Enskilda Banken AB(publ), Sweden	1321.1	1167.1	1385.0	1160.9
	6905.1	5304.2	6585.1	5026.3
	10946.8	17960.1	16441.8	24471.5
Total Unsecured Loans	**31771.8**	**30710.1**	**24241.8**	**29671.5**

INTEREST & REPAYMENT SCHEDULE OF DOMESTIC LOANS

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON SEPTEMBER 30, 2010	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
		(Rs. in Million)				
1	INDIAN OVERSEAS BANK	300.0	10 ANNUAL INSTALMENTS w.e.f February 11, 2004	FLOATING	PLR LESS 2.60%	NIL
2	CORPORATION BANK	300.0	20 H.Y.INSTALMENTS w.e.f March 05, 2004	FLOATING	PLR LESS 2.00%	NIL
3	PUNJAB NATIONAL BANK-I	600.0	10 ANNUAL INSTALMENTS w.e.f March 30, 2004	FLOATING	PLR LESS 2.10%	NIL
4	PUNJAB NATIONAL BANK-II	1500.0	12 ANNUAL INSTALMENTS w.e.f March 08, 2005	FLOATING	PLR LESS 2.15%	NIL
5	ORIENTAL BANK OF COMMERCE	1250.0	12 ANNUAL INSTALMENTS w.e.f March 22,2005	FLOATING	PLR LESS 2.40%	NIL
6	LIFE INSURANCE CORPORATION OF INDIA	3657.8	12 ANNUAL INSTALMENTS w.e.f.March 31, 2004	FIXED	6.30%	NIL
7	ICICI BANK LTD.	300.0	10 ANNUAL INSTALMENTS w.e.f June 28, 2003	FIXED	7.32%	NIL
8	POWER FINANCE CORPORATION	200.0	40QUARTERLY INSTALMENTS w.e.f.October 15, 2002	FIXED	9.50%	NIL
9	BANK OF BARODA (short term working capital loan)	5000.0	short term working capital loan for one year w.e.f.August 14, 2006	FLOATING	PLR LESS 4.75%	NIL
10	LIFE INSURANCE CORPORATION OF INDIA	296.6	Repayable in Annual installments upto Year 2016	FIXED	10%	NIL
	TOTAL	**13404.3**				

INTEREST & REPAYMENT SCHEDULE OF FOREIGN CURRENCY LOANS

S.N	DESCRIPTION	LOAN OUTSTANDING AS ON SEPTEMBER 30, 2010	DATE OF REPAYMENT OF PRINCIPAL AMOUNTS	INTEREST RATE TYPE	INTEREST RATE BASIS	OTHER CHARGES
		(Rs. in million)				
1	BANK OF INDIA, CAYMAN ISLAND	2989.5	38 SEMI-ANNUAL INSTALLMENTS, STARTING-June 10, 2004, ENDING June 10, 2022	FLOATING	LIBOR + 1.60%	COMM FEE-0.50%
2	PSDP-I	3427.2	30 SEMI-ANNUAL INSTALLMENTS, STARTING-December 01, 1998, ENDING June 01, 2013	FLOATING	LENDERS BORROWING COST + 0.50% (-) WAIVER OF 0.05%	GOI GUARANTEE FEE-1.00%, COMM. FEE 0.25%
3	PSDP-II	16374.8	30 SEMI-ANNUAL INSTALLMENTS, STARTING-December 15, 2006, ENDING June 15, 2021	FLOATING	LIBOR + 0.50% (+/-) DIFF. BETWEEN LIBOR & IBRD BORROWING COST (-) WAIVER OF 0.05%	GOI GUARANTEE FEE-1.20%, COMM. FEE 0.25%
4	PSDP-III	17938.6	30 SEMI-ANNUAL INSTALLMENTS, STARTING- September 15, 2011, ENDING March 15, 2026	FLOATING	LIBOR + 0.75% (+/-) DIFF. BETWEEN LIBOR & IBRD BORROWING COST (-) WAIVER OF 0.25%	GOI GUARANTEE FEE-1.20%, COMM. FEE 0.25%
5	NATIXIS (CREDIT NATIONAL), FRANCE	1124.5	SEMI-ANNUAL INSTALLMENTS FOR EACH TRANCHE, STARTING- September 30, 2004, ENDING Dec. 31st, 2028	FIXED	2.00%	GOI GUARANTEE FEE-1.20%
6	ASIAN DEVELOPMENT BANK (1405-IND)	4623.1	32 SEMI-ANNUAL INSTALLMENTS, STARTING-June 01, 2000, ENDING December 01, 2015	FLOATING	LENDER'S BORROWING COST (-) WAIVER OF 0.20%	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%
7	OVERSEAS ECONOMIC CORPORATION FUND (JBIC)	1634.9	41 SEMI-ANNUAL INSTALLMENTS, STARTING-February 20, 2007, ENDING February 20, 2027	FIXED	2.30%	GOI GUARANTEE FEE-1.20%, SERVICE CHARGES-0.10%
8A	EUROPEAN INVESTMENT BANK	45.3	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	6.23%	GOI GUARANTEE FEE-1.20%
8B	EUROPEAN INVESTMENT BANK	107.6	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	6.00%	GOI GUARANTEE FEE-1.20%
8C	EUROPEAN INVESTMENT BANK	207.6	26 SEMI-ANNUAL INSTALLMENTS, STARTING- June 15, 2001, ENDING December 15, 2013	FIXED	5.99%	GOI GUARANTEE FEE-1.20%
8D	EUROPEAN INVESTMENT BANK	89.2	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December, 15, 2013	FIXED	5.36%	GOI GUARANTEE FEE-1.20%
8E	EUROPEAN INVESTMENT BANK	144.8	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	5.39%	GOI GUARANTEE FEE-1.20%

8F	EUROPEAN INVESTMENT BANK	27.1	26 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2001, ENDING December 15, 2013	FIXED	5.13%	GOI GUARANTEE FEE-1.20%
	SUB-TOTAL :	**621.6**				
9A	ASIAN DEVELOPMENT BANK (1764-IND)	990.0	30 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2006, ENDING December 15, 2020	FLOATING	LENDER'S BORROWING COST (-) WAIVER OF 0.20%	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%, FRONT END FEE-1.00%
9B	ASIAN DEVELOPMENT BANK (1764-IND)	8577.2	30 SEMI-ANNUAL INSTALLMENTS, STARTING-June 15, 2006, ENDING December 15, 2020	FLOATING	LIBOR + 0.60% (+/-) DIFF. BETWEEN LIBOR & ADB BORROWING COST (-) WAIVER upto 0.20% as determined by ADB from time to time.	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%, FRONT END FEE-1.00%
	SUB-TOTAL :	**9567.2**				
10	ASIAN DEVELOPMENT BANK (2152-IND)	16146.4	30 SEMI-ANNUAL INSTALLMENTS, STARTING-January 15, 2010, ENDING July 15, 2024	FLOATING	LIBOR + 0.60% (+/-) DIFF. BETWEEN LIBOR & ADB BORROWING COST (-) WAIVER upto 0.20% as determined by ADB from time to time.	GOI GUARANTEE FEE-1.20%, COMM FEE-0.75%
11A	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	506.5	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	5.54%	0.25% COMM. FEE, 0.25% MGT. FEE
11B	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	2647.9	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	3.84%	0.25% COMM. FEE, 0.25% MGT. FEE
11C	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	77.2	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FIXED	2.49%	0.25% COMM. FEE, 0.25% MGT. FEE
11D	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	158.2	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FLOATING	LIBOR+1.20%	0.25% COMM. FEE, 0.25% MGT. FEE
11E	KREDITANSTALT FUR WIEDERAUFBAU, GERMANY	475.6	20 SEMI-ANNUAL INSTALLMENTS, STARTING-March 31, 2004, ENDING September 30, 2013	FLOATING	LIBOR+0.36%	0.25% COMM. FEE, 0.25% MGT. FEE
	SUB TOTAL :	**3865.4**				
12	SCANDIVISKA ENSKILDA BANKEN AB (PUBL)	1160.9	24 SEMI-ANNUAL INSTALLMENTS, STARTING-September 15, 2005, ENDING March 15, 2017	FLOATING	STIBOR	AGENCY FEE-0.10%, COMM. FEE-0.125%, MGT. FEE-0.375%,EKN PREMIUM-6.49%

13	PSDP-IV	21930.4	30 SEMI-ANNUAL INSTALLLMENTS, STARTING-November 15,2013,ENDING-May 15, 2028	FLOATING	LIBOR+Variable spread	FONT END FEE 0.25%, GOI GUARANTEE FEE 1.20%
14	PSDP-IV (ADDITIONAL)	11059.2	52 SEMI-ANNUAL INSTALLLMENTS, STARTING-February 1,2013,ENDING-August 1, 2038	FLOATING	LIBOR+Variable spread	FONT END FEE 0.25%, GOI GUARANTEE FEE 1.20%
15	PSDP-V	724.8	49 SEMI-ANNUAL INSTALLLMENTS, STARTING-January, 15 2015,ENDING-January 15, 2039	FLOATING	LIBOR+Variable spread	FONT END FEE 0.25%, GOI GUARANTEE FEE 1.20%
16	ADB-IV(2415-IND)	3922.6	40 SEMI-ANNUAL INSTALLLMENTS, STARTING-May, 15 2013,ENDING-November 15, 2032	FLOATING	LIBOR+0.60% - 0.40%	COMMITMENT FEE-0.15% , GOI GUARANTEE FEE 1.20%
17	ADB-V(2510-IND)	357.6	40 SEMI-ANNUAL INSTALLLMENTS, STARTING-August, 1 2014,ENDING-February 1, 2034	FLOATING	LIBOR+0.60% - 0.40%	COMMITMENT FEE-0.15% , GOI GUARANTEE FEE 1.20%
	GRAND TOTAL	**117468.7**				

NOTES :

1. LENDER'S BORROWING COST IS DETERMINED AND DECLARED AT THE DESCRETION OF THE LENDER.
2. COMMITMENT FEE IS LEVIED BY THE LENDER ON THE UNDRAWN AMOUNT OF LOAN
3. SERVICE CHARGE IS LEVIED ON THE LOAN DISBURSED BY JBIC.
4. AGENCY FEE ON SEB LOAN IS IN ADDITION TO INTEREST. IT IS PAYABLE ALONGWITH INTEREST HALF-YEARLY.
5. MANAGEMENT FEE IS A ONE-TIME PAYMENT.
6. GOI G/FEE IS CALCULATED ON DAY-TO-DAY OUTSTANDING LOAN BALANCE.

Current Liabilities *Annexure XV a*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 (Unaudited Reviewed)
Sundry Creditors			
For capital expenditure	8793.0	8881.2	13917.2
Other goods and services	1935.8	1725.0	2071.1
Advance from Customers	13098.4	18868.0	19609.9
Deposits Retention money from contractors and others.	10823.1	13570.2	16716.4
Less: Investments held as security	3.0	4.8	3.6
Un-paid (Un-claimed) matured bonds	0.5	0.6	0.7
Unclaimed Dividend	26.9	29.6	28.2
Other Liabilities	16956.6	26905.5	17034.0
Interest Accrued But Not Due On Loans From			
Government of India	0.0	0.0	0.0
Indian Banks, Financial Institutions & Corporations	314.4	259.2	114.4
Foreign Banks & Financial Institutions	677.4	312.9	374.2
Secured/Unsecured redeemable Bonds	4780.2	5798.6	8965.2
Others	0.0	0.0	1.0
Deferred Income/Expenditure from Foreign Currency Fluctuation	3830.40		
Total	**61233.70**	**76346.00**	**78828.7**

Provisions *Annexure XV b*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 **(Unaudited Reviewed)**
Taxation	10253.2	11480.4	15061.4
Employee Benefits	3083.9	3115.7	3132.0
Transmission Incentive, special incentive & PRP	813.0	1486.9	1499.1
Provision for Wage Revision	4225.3	3429.3	4028.9
Proposed Final dividend	2946.2	4208.8	4208.8
Guarantee Fee to GOI	75.9	162.8	162.8
Dividend Tax	500.7	699.0	699.0
Total	**21898.2**	**24582.9**	**28792.0**

Statement of Fixed Assets *Annexure XVI*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009			Fiscal Year Ended March 31, 2010		
	Gross Block	Accumulated Depreciation	Net Block	Gross Block	Accumulated Depreciation	Net Block
Land						
a) Freehold	3671.2		3671.2	4423.3		4423.3
b) Leasehold	711.5	48.6	662.9	942.3	59.6	882.7
Buildings						
a) Sub-Stations & Office	4220.2	1051.7	3168.5	4321.8	1177.8	3144
b) Township	3311	493.9	2817.1	3604.1	599.8	3004.3
Temporary Erection	77.7	60.5	17.2	79.1	70.9	8.2
Roads & Bridges	1073.7	160.2	913.5	1127.3	194.5	932.8
Water Supply Drainage & Sewerage	627.2	129	498.2	653.5	149.3	504.2
Plant & Machinery						
a) Transmission Lines	244545.8	45381.1	199164.7	267027.9	57381.8	209646.1
b) Substation	122663.8	38099.2	84564.6	127086.4	43659.8	83426.6
c) ULDC	7444	2293.6	5150.4	7189.6	3157	4032.6
d) Telecom links	9061.8	2449.2	6612.6	9182.8	3003.3	6179.5
Constrn.and Workshop equipment	600	128.3	471.7	754.2	167.9	586.3
Electrical Installation	649	231	418	667.4	257.3	410.1
Vehicles	41	22	19	47.1	21.9	25.2
Furniture Fixtures & Office equipment	1136.2	447.6	688.6	1228.7	490.2	738.5
EDP/WP Machines	572.1	437.8	134.3	630	470.3	159.7
Miscellaneous Assets/Equipments	614	354.4	259.6	668.4	379.1	289.3
Capital Exp. on Assets not owned by the Company	139.4	108.7	30.7	161.9	126	35.9
Intangible Assets						
Afforestation Charges	2091	60	2031	2319	120	2199
Softwares	10.8	9	1.8	17.7	11.2	6.5
Grand Total	**403261.4**	**91965.8**	**311295.6**	**432132.5**	**111497.7**	**320634.8**
Less: Provisions for assets discarded	68.1	56.9	11.2	109.7	87.5	22.2
Net Balances	**403193.3**	**91908.9**	**311284.4**	**432022.8**	**111410.2**	**320612.6**

STATEMENT OF INVESTMENTS *Annexure XVII*

(Rs. in Million)

Description	Fiscal Year Ended March 31,		Half Year Ended September 30,2010 (Unaudited Reviewed)
	2009	2010	
LONG TERM			
A.TRADE INVESTMENTS			
I. Govt.Securities (Unquoted):- **a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of :**			
Andhra Pradesh	1263.6	1083.1	1083.1
Arunachal Pradesh	36.5	31.3	31.3
Assam	1174.6	1006.8	1006.8
Bihar	1135.0	972.8	972.8
Gujarat	490.3	420.3	420.3
Haryana	563.5	483.0	483.0
Himachal Pradesh	19.8	17.0	17.0
Jammu & Kashmir	1133.8	971.8	971.8
Kerala	168.8	144.7	144.7
Madhya Pradesh	728.4	624.4	624.4
Maharashtra	94.3	80.8	80.8
Manipur	221.9	190.2	190.2
Meghalaya	3.0	2.6	2.6
Mizoram	0.1	0.1	0.1
Nagaland	97.5	83.6	83.6
Punjab	328.6	281.6	281.6
Rajasthan	87.2	65.4	65.4
Sikkim	78.9	67.6	67.6
Tripura	6.4	5.5	5.5
Uttar Pradesh	3230.2	2768.8	2768.8
Uttaranchal	358.9	307.6	307.6
West Bengal	563.4	482.9	482.9
Jharkhand	780.6	669.1	669.1
	12565.3	10761.0	10761.0
b) Other Bonds:-			
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	207.7	173.1	161.6
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	241.9	215.0	201.5
	449.6	388.1	**363.1**

II. Equity Shares-Fully Paid up :-			
Quoted			
PTC India Ltd 120,00,006(Previous year 120,00,006) Shares of Rs.10/- each fully paid up. {Market Value Rs 1344.6 million @ Rs. 112.05 (NSE) per share(Previous year Rs. 839.4 Million @ Rs. 69.95 (NSE) per share)}	120.0	120.0	120.0
Unquoted			
<u>Subsidiary Companies</u>			
Byrnihat Transmission Co. Ltd.			
50,000(Previous year 50,000) Equity shares of Rs 10/- each fully paid up.	0.5	0.5	0.5
Less: Provision for diminution		0.1	0.1
	0.5	0.4	0.4
Power System Operation Corporation Ltd. 50,000(50,000 for Fiscal 2009-10; Nil for Fiscal 2008-09) Equity shares of Rs. 10 each fully paid up		0.5	0.5
<u>Joint Venture Companies</u>			
Torrent Power Grid Ltd.			
234,00,000 (234,00,000 for Fiscal 2009-10; 156,00,000 for Fiscal 2008-09) Equity Shares of Rs. 10/- each fully paid up.	156.0	234.0	234.0
Powergrid IL &FS Transmission Pvt. Ltd 25,000(Previous year 25,000) Equity shares of Rs 10/- each fully paid up.	0.3	0.3	0.3
Less: Provision for diminution		0.3	0.3
	0.3		
Jaypee Powergrid Ltd.			
5,85,00,000 (4,55,00,000 for Fiscal 2009-10; 3,25,00,000 for Fiscal 2008-09) Equity Shares of Rs. 10/- each fully paid up.	325.0	455.0	585.0
Parbati Koldam Transmission Company Ltd. 44,72,000 (33,93,000 for Fiscal 2009-10; 18,33,000 for Fiscal 2008-09) Equity (6,25,000 for Fiscal 2009-10; Nil for Fiscal 2008-09) shares of Rs 10/- each fully paid up.	18.3	33.9	44.7
Teestavalley Power Transmission Limited 2,03,33,000 (13,000 for Fiscal 2009-10; 13,000 for Fiscal 2008-09) Equity shares of Rs 10/- each fully paid up.	0.1	0.1	203.3
Powerlinks Transmission Ltd			
22,93,20,000 (Previous year 22,93,20,000) Equity shares of Rs 10/- each fully paid up	2293.2	2293.2	2293.2
North East Transmission Company Ltd.			
2,31,01,000 (2,31,01,000 for Fiscal 2009-10; Nil for Fiscal 2008-09) Equity shares of Rs 10/- each fully paid up		231.0	231.0
Energy Efficiency Services Ltd			

6,25,000 Equity shares of Rs 10/- each fully paid up		6.2	6.2
National High Power Test Laboratory Ltd. 8,75,000 (8,75,000 for Fiscal 2009-10; Nil for Fiscal 2008-09) Equity shares of Rs 10/- each fully paid up		8.8	8.8
	2793.4	3263.1	3607.1
TOTAL (A)	**15928.3**	**14532.2**	**14851.2**
B. Non-trade investments (Unquoted)			
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Itarsi (Rs.5000/-)			
500 Fully paid up shares of Rs 10/- each in EmployeesCo-op Society Limited Nagpur (Rs.5000/-)			
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Jabalpur (Rs. 5000/-)			
TOTAL (B)			
GRAND TOTAL (A+B)	**15928.3**	**14532.2**	**14851.2**

Note : 22,93,19,997 shares (Previous year 22,93,19,997) of Powerlinks Transmission Ltd. held by the Company have been pledged as continuous security with consortium of financial institutions against financial assistance obtained by Powerlinks Transmission Ltd.

STATEMENT OF SUNDRY DEBTORS ***Annexure XVIII***

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year ended September 30, 2010 **(Unaudited Reviewed)**
Debts Outstanding exceeding Six Months			
Considered Good	2203.7	4817.6	167.8
Unsecured Considered Doubtful	1132.0	1138.9	798.5
Others			
Considered Good	11531.9	17331.0	28482.4
Less: Provision for bad & doubtful debts	1132.0	1138.9	798.5
Total	**13735.6**	**22148.6**	**28650.2**

STATEMENT OF LOANS AND ADVANCES			*Annexure XIX* *(Rs. in Million)*
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,2010 (Unaudited Reviewed)**
	2009	**2010**	
a) Loans to			
-Employees [Including interest on employee loan of Rs 603.10 million(Previous year Rs.613.60 million)]	1290.3	1260.6	1325.1
-Long Term Advances(Under securitisation scheme)	1156.9	1079.8	1002.7
-Others	0.2	1.4	1.6
	2447.4	**2341.8**	**2329.4**
b) Lease Receivables(State sector ULDC)	**7665.2**	**6550.7**	**6160.1**
c) Advances			
Advances recoverable in cash or in kind or for value to be received			
Contractors & Suppliers	98.5	59.9	95.0
(Including Material issued on loan)			
Employees	1581.8	1317.9	1390.3
Claims recoverable	392.7	125.7	122.2
Others	6593.7	11350.6	3579.9
	8666.7	12854.1	5187.4
Less: Provision for bad and doubtful Advances and Claims	89.0	107.2	111.4
	8577.7	12746.9	5076.0
Balance with Customs, Port Trust and other authorities	296.4	372.4	423.7
Advance Tax & TDS	9293.2	11012.2	14399.9
	18167.3	**24131.5**	**19899.6**
TOTAL	**28279.9**	**33024.0**	**28389.1**

CONTINGENT LIABILITIES *Annexure XX*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010 (Unaudited Reviewed)	Half Year Ended September 30, 2010 (Unaudited Reviewed)
Claims against the Company not acknowledged as debt in respect of			
Arbitration / Court Cases	19302.7	18280.9	20272.3
Land / Crop/Tree Compensation cases	4808.9	5034.2	11032.4
Service Tax	9250.5	10996.2	0.0
Others	1256.6	1676.9	1668.8
Disputed Tax Demands-Income Tax	122.2	43.6	719.4
Disputed Tax Demands-Service Tax	0.0	664.8	0.0
Disputed Tax Demands-Others	1604.7	1238.4	201.2
Continuity Bonds with Custom Authorities	8094.2	9699.2	9830.9
Other Service Tax	11159.5	16569.3	0.0
Others	1146.1	473.4	228.7
Total	**56745.4**	**64676.9**	**43953.7**

Miscellaneous Expenses not written off			*Annexure XXI* *(Rs. in Million)*
Description	**Fiscal Year Ended March 31,**		**Half Year Ended September 30,**
	2009	**2010**	**2010 (Unaudited Reviewed)**
Miscellaneous Expenses not written off			
Opening Balance	71.9	55.0	35.6
Addition	1.4	(1.6)	2.7
Deduction	18.3	17.8	8.9
Closing Balance	**55.0**	**35.6**	**29.4**

Annexure XXII

Statement of the changes in the Accounting Policies for the year ended on 31.03.2009 and for the year ended on 31.03.2010

1. **Financial Year ended on 31.03.2009**

   i) In view of the opinion of the Expert Advisory Committee of The Institute of Chartered Accountants of India, the items of insurance/mandatory spares, which were being capitalized upto financial year 2007-08, are charged off to revenue with effect from financial year 2008-09, if the year of purchase and consumption is same. The impact of change is nil since there is not such case during the year.

   ii) Mobile phones which were being amortized upto financial year 2007-08, over the period of 4 years from the date of purchase are amortized, from financial year 2008-09, in 3 years from the date of purchase in view of redefining of useful life by the company. The change has resulted in decrease in profit by 1.3 million with a corresponding decrease in net block.

   iii) Assets costing upto Rs. 5000, in respect of which rates are not specified in norms notified by CERC, were capitalized upto financial year 2007-08 are fully depreciated in the year of acquisition from financial year 2008-09. The change has resulted in decrease in profit by Rs.10.1 million with a corresponding decrease in net block.

   iv) The ULDC assets, which were depreciated @ 6% upto financial year 2007-08 are being depreciated @ 6.67% with retrospective effect from the date of capitalization of respective ULDC. The change has resulted in Prior Period Depreciation by Rs. 213.8 million, current year depreciation by Rs. 55.7 million, decrease in net block by Rs. 269.5 million and decrease in profit by 269.5 million.

2. **Financial Year ended on 31.03.2010**

   Upto financial year 2008-09, common expenses of Corporate office, Regional offices and Projects, common to operation and construction activities were allocated to various diversified activities of the company viz. transmission, telecom, consultancy and Accelerated Power Development and Reform Program (APDRP) in the ratio of respective income/reimbursement of each activity and further allocated between revenue and Incidental Expenditure during Construction in the proportion of Transmission Charges and Telecom income to annual capital outlay. The above policy was referred to Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India (ICAI).

   Upon receipt of opinion from EAC, the above Accounting Policy has been changed in financial year 2009-10 with retrospective effect from financial year 2008-09. Such expenses are now identified and allocated between revenue and incidental expenditure during construction on a systematic basis.

   The change has resulted in increase in expenditure of financial year 2009-10 by Rs. 863.5 million and prior period expenditure by Rs. 919.2 million and thereby reduction in profit for the year by Rs. 1782.7 million with corresponding decrease in CWIP and Gross Block.

Related Party Transactions *Annexure XXIII*

(Rs. in Million)

Description	Fiscal Year Ended March 31,		Half Year ended September 30
	2009	2010	2010 (Unaudited Reviewed)
Contracts for Works/Services for services received by the Company			
· Transactions during the year/half year	Nil	Nil	Nil
· Amount recoverable from related parties	Nil	Nil	Nil
· Amount payable to related parties	Nil	Nil	Nil
Contracts for Works/Services for services provided by the Company			
· Transactions during the year/half year*	97.0	473.2	269.5
· Amount recoverable from related parties*	168.3	353.5	163.7
Dividend Received	183.5	229.3	412.8
Deputation of Employees			
· Transactions during the year/half year	0.03	Nil	Nil
· Amount recoverable from the related parties	Nil	Nil	Nil

(*) This does not include transactions with respect to an agreement with Powerlinks Transmission Ltd. Under which transmission charges for transmission line associated with Tala hydro electric power project are raised by Powerlinks Transmission Ltd. to the company which pay the same and collect from the respective beneficiaries.

Segment wise Revenue, Results and Capital Employed ***Annexure XXIV***

(Rs. in Million)

	Particulars	Fiscal Year Ended March 31,		Half Year Ended September 30,	
		2009	2010	2009 **(Unaudited Reviewed)**	2010 **(Unaudited Reviewed)**
A.	**Segment Revenue including Other Income**				
	- Transmission	54531.3	67057.9	33242.5	39221.6
	- Consultancy	2175.4	2770.8	966.0	1530.6
	- RLDCs - POSOCO Assets	3180.0	2245.8	1130.3	1466.2
	- ULDCs - Other Assets		1373.0		612.9
	- Telecom	1532.6	1672.9	830.5	917.9
	Total	**61419.3**	**75120.4**	**36169.3**	**43749.2**
	Less: Inter Segment Revenue	32.1	84.6	17.0	22.6
	Total Revenue including Other Income	**61387.2**	**75035.8**	**36152.3**	**43726.6**
B.	**Segment Results**				
	Profit Before Tax				
	- Transmission	21414.0	23939.6	11842.6	17233.0
	- Consultancy	1015.5	1455.5	299.3	807.3
	- RLDCs - POSOCO Assets	177.4	417.7	76.1	292.4
	- ULDCs - Other Assets		381.5		164.2
	- Telecom (*)	-321.2	68.9	69.3	72.1
	Total Profit Before Tax	**22285.7**	**26263.2**	**12287.3**	**18569.0**
C.	**Segment Capital Employed**				
	- Transmission (**)	409734.0	487312.5	445575.8	523522.5
	- Consultancy	-11748.3	-15250.9	-9351.6	-15993.7
	- RLDCs - POSOCO Assets	11665.3	2872.8	12383.0	2127.2
	- ULDCs - Other Assets		9752.5		9427.5
	- Telecom	7509.4	7301.9	7577.7	7093.3
	Total Segment Capital Employed	**417160.4**	**491988.8**	**456184.9**	**526176.8**

(*) Profit of Telecom segment has been increased by the amount of inter segment revenue with a corresponding decrease in profit of Transmission segment.

(**) While calculating segment wise capital employed, entire deferred tax liability has been considered and included in transmission segment.

A.R. & Co. **Chartered Accountants** C-1, II Floor, R.D.C. Raj Nagar, Ghaziabad – 201 002. National Capital Region of Delhi	**S R I Associates** **Chartered Accountants** 3-B, Garstin Place Kolkata – 700 001.	**Umamaheswara Rao & Co.** **Chartered Accountants** Flat No. 5-H 'D' Block, 8-3-324, Krishna Apartments, Yellareddyguda Lane Ameerpet 'X' Roads, Hyderabad - 500 073.

STATEMENT OF GENERAL TAX BENEFITS

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

Dear Sirs,

We hereby report that the enclosed annexure states "General Tax Benefits" available to Power Grid Corporation of India Limited (the "**Company**") and its shareholders under the current tax laws in force in India as amended by the Finance Act, 2010. The benefits as stated are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

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

For A.R. & Co. Chartered Accountants Regn No.002744C	**For S R I Associates** Chartered Accountants Regn No.305109E	**For Umamaheswara Rao & Co.** Chartered Accountants Regn No. 004453S
(Pawan K. Goel) **Partner** Membership No. 072209	**(I. Pasha)** **Partner** Membership No. 013280	**(Venugopal Sanka)** **Partner** Membership No. 205565

Place: Mumbai.

Date: 20.10.2010.

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

B. To the Company

1. Under the Income Tax Act, 1961

- Energy saving devices being Electrical equipments such as Shunt capacitors, automatic power cut off devices, automatic voltage controller, power factor controller for AC, series compensation equipments, equipment to establish transmission highways for National Power Grid, etc are entitled for higher depreciation at the rate of 80% on W.D.V. as per Appendix I of Income Tax Rules under Section 32 of the Income Tax Act., 1961.
- In accordance with and subject to the condition specified in Section 80-IA of' the Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31.03.2011 subject to the limit prescribed under section 80IA(2).
- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the Company subject to provisions of Section 14A read with Rule 8D.
- While calculating dividend distribution tax as per provision 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 the 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), interest income earned from 8.5% SLR Power Bonds and long term loans are exempt from tax in the hands of the company, subject to provisions of Section 14A read with Rule 8D.
- The Corporate Tax rate of the company is grossed up on return on equity and billed to beneficiaries in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

2. 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 transmission of electrical energy.
- In terms of section 8(3)(b) of the Central Sales Tax Act, 1956, the purchases made in the course of inter-state trade or commerce for use in the generation or distribution or any other form of power is eligible for concessional rate of sales tax of 2%.

3. **Under Customs Tariff**

- In terms of notification No. 21/2002-Cus dated 1.3.2002 as amended by last Notification No. 80/2010-Cus. Dated 10.8.2010 under Customs Tariff of India, the goods as per List 44 required for setting up of any Transmission Project, are eligible to import at the rate of 5% basic custom duty subject to fulfillment of certain conditions.
- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended by last Notification No. 80/2010-Cus. Dated 10.8.2010 under Customs Tariff of India, the Power Transmission Companies are eligible to import goods required for setting up of any power transmission projects at concessional rate of 5% basic custom duty under Project Imports.
- In terms of notification No. 84/1997 dtd 11.11.1997 the goods imported under World Bank/ADB funded projects are eligible for nil customs duty.

4. **Under EXIM Policy**

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

C. **To the Members of the Company**

B1. **Under the Income Tax Act, 1961**

2. **All Members**

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the shareholders, subject to provisions of Section 14A read with Rule 8D.
- By virtue of Section 10(38) of' the Income Tax Act, 1961, income arising from transfer of a long-term capital asset, being an equity share in the Company is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force and such transaction is chargeable to the Securities Transaction Tax under that Chapter. However, the long-term capital gain of a share holder being a company shall be subject to income tax computed on book profit under section 115JB of' the Income Tax Act, 1961.
- By virtue of Section 111A inserted by Finance (No.2) Act, 2004, short term capital gain on transfer of equity share of the Company shall be chargeable to tax @ 15%, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to Securities Transaction Tax under that Chapter.
- By virtue of Section 88E of the Income Tax Act, 1961 and subject to certain conditions, rebate of tax paid on securities transaction is allowable as deduction from the amount of income tax.

3. **Resident Members**

- In terms of section 10(23D) of the Income Tax Acy, 1961, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India or authorized by Reserve Bank of India 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, subject to provisions of section 14A and rules framed there under, wherever applicable.

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the shareholders, subject to provisions of Section 14A read with Rule 8D.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

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

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

- Under Section 54F of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

  If any part of the capital gain is reinvested, the exemption will be reduced proportionately. The amount so exempted shall be chargeable to tax subsequently, if residential property is transferred within a period of three years from the date of purchase/construction. 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 purchased or constructed.
- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (in cases 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 or at 10% (plus applicable surcharge and education cess) (without indexation), at the option of the Shareholders.

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

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the recipients subject to provisions of Section 14A read with Rule 8D.

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 XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Incomes of Non-Residents".
- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for period exceeding 12 months shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuation.
- As per section 90(2) of the Act, the provision of the Act would prevail over the provision 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 Income Tax Act, 1961, long term capital gains (in cases 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 Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible has been deducted at source there from.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him instead the other provisions of the Act shall apply.
- Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains

tax if the capital gains are invested upto Rs. 50 lakhs within a period of 6 months from the date of transfer in the bonds issued by

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

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

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

- Under Section 54F of the Income Tax Act. 1961 and subject to the condition and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from Capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

  If any part of the capital gain is reinvested the exemption will be reduced proportionately. The amount so exempted shall be chargeable to tax subsequently, if residential property is transferred within a period of three years from the date of purchase/construction. 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 purchased or constructed.

- Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and Education Cess) after indexation as provided in the second proviso to Section 48; indexation not available if investments made in foreign currency as per the first proviso to section 48 stated above) or at 10% (plus applicable surcharge and Education Cess) (without indexation), at the option of assessee.

6. Mutual Funds

In terms of Section 10(23D) of the Income Tax Act, 1961, mutual funds registered under the Securities and Exchange Board of India Act 1992 and such other mutual funds set up by public sector banks or public financial institutions authorized by the Reserve Bank of India and subject to the conditions specified therein, are eligible for exemption from income tax on their entire income, including income from investment in the shares of the Company.

7. Foreign Institutional Investors (FIIs)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend from another domestic company referred to in Section 115-O of the IT Act, is exempt from tax in the hands of the institutional investor.
- The income by way of short term or long term capital gains realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of

the Income Tax Act, 1961.
* Short term capital gains - 30% (plus applicable surcharge and Education Cess)
* Short term capital gains covered U/s 111A- 15% (plus applicable surcharge and Education Cess)
* Long term capital gains - 10% (without cost indexation) plus applicable surcharge and Education Cess and 20% (with indexation) plus applicable surcharge and Education Cess.

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

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

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

- As per section 90(2) of the Act, the provision of the Act would prevail over the provision 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.

6. Venture Capital Companies *I* Funds

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

B2. Under the Wealth Tax Act, 1957

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

B3. Under the Gift Tax Act, 1957

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

Notes

All the above benefits are as per the current tax law as amended by the Finance Act, 2010 and will be available only to the sole/ first named holder in case the shares are held by joint holders

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

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

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

Employees Remuneration and Benefits *Annexure XXVI*

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 (Unaudited Reviewed)
Salaries, wages, allowances & benefits	7153.9	7832.3	4262.6
Contribution to provident and other funds	530.9	811.4	708.0
Welfare expenses	1313.8	948.9	308.4
Less: Transferred to Incidental Expenditure during Construction-Schedule 28(A)	2517.9	2325.6	1352.3
Less: Recoverable from MOP on account of APDRP	41.9	0.0	0.0
TOTAL	**6438.8**	**7267.0**	**3926.7**

Annexure XXVII

Interest & Finance Charges

(Rs. in Million)

Description	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Half Year Ended September 30, 2010 **(Unaudited Reviewed)**
Interest on Loan from			
Indian Banks,Financial Institutions & Corporations	2,105.9	1,535.6	765.3
Foreign Banks and Financial Institutions	3,240.9	1,895.3	709.9
Secured/Unsecured redeemable Bonds	12,136.4	15,607.5	9,975.7
Interest on Land/Tree Compensation	273.0	32.5	-
Interest u/s 234 B & C	335.4	33.2	-
Others	31.8	234.1	129.1
FERV as adjustment to Borrowing Cost	5,953.3	32.2	381.5
FERV above Domestic Borowing Cost	5,384.8	-	-
Less: FERV Recoverable as transmission charges	8,898.2	-	-
	2,439.9	32.2	381.5
Less: Transferred to incedental Expenditure During Construction	1,904.7	10.5	1.1
FERV (Net of IEDC)	535.2	21.7	380.4
Less:			
FERV Gain			461.5
Less: Payable to Beneiciaries			106.8
			354.7
FERV (Net of IEDC)	535.2	21.7	25.7
Sub Total	18,658.6	19,359.9	11,605.7
Finance Charges			
Rebate to Customers	863.1	776.8	377.8
Commitment charges	80.8	69.2	25.8
Foreign Exchange Rate Variation	16.9	-	-
Guarantee Fee	1,062.8	1,097.6	610.0
Other finance charges	151.1	217.0	222.5
Sub Total	2,174.7	2,160.6	1,236.1
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)	4,410.6	6,088.1	4,751.3
TOTAL	16,422.7	15,432.4	8,090.5

SELECTED UNAUDITED STANDALONE FINANCIAL INFORMATION

The following financial information is being provided pursuant to sub-clause (BA)(2)(ii)(1) in Part A in para (2) in item (IX) of Schedule VIII of the SEBI Regulations. This information has not been reviewed or audited by our auditors and investors should not place undue reliance on this financial information.

Information for the period from April 1, 2010 to September 30, 2010

Working results for the period from April 1, 2010 to September 30, 2010

₹ (in million)

a)	Sales / Turnover:	41,257.5
b)	Other Income:	2,469.1
c)	Gross Profit/Loss (excluding Depreciation and Taxes):	29,024.1
I.	Depreciation:	10,455.1
II.	Provision for Taxes:	5,023.2
d)	Estimated Net Profit/Losses:	13,545.8

There have been no material changes or commitments which have affected the financial position of our Company. However, our Company has made private placement of bonds worth ₹ 34,875.0 million in the month of October 2010.

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 unconsolidated audited financial statements for and as of the fiscal years ended March 31, 2009 and 2010, the unconsolidated, unaudited, limited review profit and loss statement for the six month ended September 30, 2009 and the unconsolidated, unaudited, limited review financial statements for the six month ended September 30, 2010, which appear elsewhere in this Red Herring Prospectus. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act. Indian GAAP differs in certain significant respects from U.S. GAAP and International Financial Reporting Standards ("**IFRS**").*

*The discussion of our financial condition and results of operations under the caption "**Comparison of the First Half of Fiscal 2011 to the First Half of Fiscal 2010**" is based upon the unconsolidated, unaudited, limited review profit and loss statement for the six months ended September 30, 2009, and the unconsolidated, unaudited, limited review financial statements for the six months ended September 30, 2010. The discussion of our financial condition and results of operations under the captions "**Comparison of Fiscal 2010 to Fiscal 2009**" is based upon the unconsolidated, audited financial statements for and as of March 31, 2009 and 2010, as applicable. Our fiscal year ends on March 31 of each year, so all references to a particular Fiscal year are to the twelve-month period ended March 31 of that year. The six month period ended September 30, 2010 and September 30, 2009 are referred to in this discussion as the "first half of Fiscal 2011" and the "first half of Fiscal 2010", respectively.*

*This discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions, including those discussed under "**Risk Factors**" on page xiv. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.*

OVERVIEW

We are India's principal electric power transmission company. We own and operate more than 95% of India's interstate and inter-regional electric power transmission system ("**ISTS**"). In that capacity, as at September 30, 2010, we owned and operated 79,556 circuit kilometers of electrical transmission lines and 132 electrical substations. In Fiscal 2010, we transmitted approximately 363.72 billion units of electricity, representing approximately 47% of all the power generated in India. In the six months ended September 30, 2010, we transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in India. We were ranked as the world's third largest transmission utility by the World Bank in January 2009.

We have been entrusted by the GoI with the statutory role of Central Transmission Utility ("**CTU**"). As CTU, we operate and are responsible for the planning and development of the country's nationwide power transmission network, including interstate networks. We are also required to facilitate non-discriminatory open access to available capacity in the ISTS.

We were designated a Mini-Ratna Category-I public sector undertaking in October 1998 and we were conferred the status of "Navratna" by the GoI in May 2008, which provides us greater autonomy to undertake new projects without GoI approval and allows us to make investments in subsidiaries and joint ventures, subject to an investment ceiling set by the GoI. We have received the highest annual performance rating of "Excellent" from the GoI in each year since Fiscal 1994.

We commenced our operations in Fiscal 1992 as part of an initiative of the GoI to consolidate all the interstate and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets, including transmission lines and substations, of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to us from Fiscal 1992 to Fiscal 1994. For more details of our history, see "***History and Certain Corporate Matters***" on page 130.

From April 1, 2007 to September 30, 2010 we completed 32 transmission projects valued in the aggregate at approximately ₹ 138.6 billion. As at September 30, 2010, we had 68 transmission projects in various stages of implementation. As at September 30, 2010, we have spent ₹ 291.2 billion towards investment in transmission projects during the GoI's Eleventh Five Year Plan, which began on April 1, 2007 and ends on March 31, 2012. The mid-term goal of the Eleventh Five Year Plan is to achieve a national power grid with inter-regional power transfer capacity of 27,950 MW, which would include our transmission system and that of others.

The tariffs for our transmission projects are determined by the Central Electricity Regulatory Commission ("**CERC**"), pursuant to the Electricity Act 2003 and CERC regulations. The current CERC regulations are the CERC (Terms and Conditions of Tariff) Regulations, 2009, ("**Fiscal 2010-2014 Regulations**"), which are based on a cost-plus-tariff based system and provide us a return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the normal tax rate as applicable for the respective year.

A crucial aspect of the operation of an electric power system is management of the power flow in real time with reliability and security on a sound commercial and economic basis. Since 1994 the GoI has progressively entrusted us with the operation of the Regional Load Despatch Centres ("**RLDCs**") in each of the five regions into which India is divided for purposes of power transmission and operation. As the RLDC operator, we have modernized the regional and state load despatch centers and their communication networks. In Fiscal 2009, the National Load Despatch Centre ("**NLDC**") was established. The NLDC is responsible for monitoring the operations and grid security of the national grid and supervises the scheduling and despatch of electricity over inter-regional lines in coordination with the RLDCs. All bilateral transactions are undertaken through the RLDCs, while transactions facilitated by the power exchanges are undertaken by NLDC. Our wholly-owned subsidiary, Power System Operation Corporation Limited ("**POSOCO**"), was established in March 2009 to oversee the grid management function of the RLDCs and NLDC. POSOCO received a certificate of commencement of business in March 2010, and we are in the process of transferring the movable assets of our power system operations segment to it. During Fiscal 2010, approximately 52.37 billion units of inter-regional energy transfer were facilitated across the country as compared to approximately 46.03 billion units in Fiscal 2009. The fees generated from our RLDC and NLDC operations are determined by CERC, pursuant to the Electricity Act and CERC regulations, and is presently based on a cost-plus-tariff based system.

Leveraging on our strength as India's principal power transmission company, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. As at September 30, 2010, we were engaged in providing consultancy services to our clients in 75 domestic and international projects. In our consultancy role, we have facilitated the implementation of GoI-funded projects for the distribution of electricity to end-users through the RGGVY in rural areas and, until March 2009, the Accelerated Power Development and Reform Programme ("**APDRP**") in urban and semi-urban areas.

We have also diversified into the telecommunications business since 2001, utilizing our nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines. As at September 30, 2010, the network consisted of 20,733 kilometers and connected 129 Indian cities, including all major metropolitan areas. We believe we are one of the few providers of telecommunications infrastructure with a significant presence in remote and rural areas. The availability of our telecom backbone network has been consistently maintained at 99.9% during Fiscal 2010. We have been leasing bandwidth on this network to more than 70 customers, including Bharti Airtel, Bharat Sanchar Nigam Limited, National Informatics Centre, Dishnet Wireless Limited, and Tata Communications Limited.

We have received the following licenses to provide telecommunication infrastructure services: Infrastructure Provider Category - I to construct infrastructure assets such as dark fibre, right of way, duct space and towers, Internet Service Provider Category A licence to provide internet services and a National Long Distance license to provide end to end bandwidth services.

In Fiscal 2010 we generated a total income of ₹ 75,035.8 million and profit after tax of ₹ 20,409.4 million. In Fiscal 2010, our revenues from transmission and transmission-related activities constituted 92.3% of our total revenue from operations, with the balance coming from our consulting and telecommunication businesses and from short term open access. In the six months ended September 30, 2010, we generated a total income of ₹ 43,726.6 million and profit after tax of ₹ 13,545.8 million. Our revenues from our transmission and transmission related activities constituted 91.5% of our total revenue from operations for the six months ended September 30, 2010.

We are certified for PAS 99:2006, which integrates the requirements of ISO 9001:2008 for quality, ISO 14001:2004 for environment management and OHSAS 18001:2007 for health and safety management systems. We are also certified for Social Accountability Standard, SA 8000:2008 for all our operations.

We seek to operate our transmission system at high levels of efficiency. In Fiscal 2010, we maintained a system availability rate of 99.77%. According to Booz & Company's comparative benchmarking across global transmission companies, our Company was rated as one of the best in terms of system availability in Fiscal 2010. In the six months ended September 30, 2010, our system availability rate was 99.86%. We have had no major grid disturbances, meaning an interruption affecting an entire region or an inter-regional transmission system, in the last seven years.

The following table presents certain company-wide operating parameters for the periods indicated:

	Fiscal			For the six months ended September 30,
	2008	**2009**	**2010**	**2010**
Transmission Network (circuit kilometers)	66,809	71,437	75,289	79,556
Substations (number)	111	120	124	132
Transformation Capacity (MVA)	73,122	79,522	83,402	89,170
System Availability (%)	99.65%	99.55%	99.77%	99.86%

As at September 30, 2010, we operated a network of 79,556 circuit kilometers at 765 kV, 400 kV, 220 kV and 132 kV EHV AC and +/- 500 kV HVDC. Of this 60,197 circuit kilometers are 400 kV, 2,921 circuit kilometers are 765kV, 5,947 circuit kilometers are +/-500 kV HVDC and the balance run at lower levels. We are gradually increasing our network of 765 kV transmission lines with approximately 10,000 circuit kilometers and 20 substations under development.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff norms

Under the Electricity Act, 2003, the GoI has the power to issue tariff policy. CERC formulates and notifies transmission tariff regulations, guided by the tariff policy and other provisions of the Act. CERC has issued regulations setting forth certain parameters for tariffs for existing and ongoing projects. Presently, the tariff norms notified by CERC are applicable for a period of five years with effect from April 1, 2009. Tariffs determined in relation to a particular project are based on capital expenditures incurred or projected to be incurred up to the date of commercial operation and additional capital expenditure incurred or projected to be incurred during the tariff period and will be subject to a truing up or reconciliation with actual capital expenditure incurred at the end of the current tariff block on March 31, 2014.

We are permitted to charge our customers within the parameters set forth in specific tariffs applicable to our network. Pursuant to the tariff regulations for Fiscal 2010-2014 ("**Fiscal 2010-2014 Regulations**"), CERC permits us to charge our customers transmission charges for the recovery of annual fixed cost ("**AFC**"). The AFC is set at a level which generally compensates us for the cost of each project and allows us to recover a pre-determined return on equity, interest on outstanding debt, compensation for operations and maintenance expenditure, depreciation and interest on working capital. In addition, tariffs allow us to recover the cost of hedging interest on and repayment of foreign currency loans or foreign exchange rate variations ("**FERV**") for unhedged interest on and repayment of foreign currency loans on a normative basis wherever hedging has not been undertaken. We are also incentivised if the availability of our transmission network is above 98% in respect of alternating current systems, above 95% in respect of HVDC back-to-back stations and above 92% in respect of HVDC bi-pole links and we are penalised if the availability of our network is below the benchmark availability of 98%, 95% or 92%, respectively. For more details of on the tariff norms applicable to us, see "***Our Business — Tariff Mechanism***" on page 98.

The income from operations in our unconsolidated unaudited limited review financial statements for and as of the six months ended September 30, 2009 and the six months ended September 30, 2010 and the income from operations in our unconsolidated audited financial statements for Fiscal 2010 have been determined based on the Fiscal 2010-2014 Regulations. The income from operations in our unconsolidated audited financial statements for Fiscal 2009 have been determined based on the tariff regulations in place for Fiscal 2005-2009 ("**Fiscal 2005-2009 Regulations**"). The Fiscal 2010-2014 Regulations and the Fiscal 2005-2009 Regulations differ in certain material respects, which make it difficult to directly compare the year on year income from operations amounts. The most significant differences between the Fiscal 2010-2014 Regulations and the Fiscal 2005-2009 Regulations are described below:

- The Fiscal 2005-2009 Regulations allowed us to earn a return on equity of 14% on a post tax basis and to recover income tax on income from our core transmission business. The Fiscal 2010-2014 Regulations state that the return on equity shall be computed on a pre-tax basis, at the base rate of 15.5% to be grossed up by the normal tax rate as applicable for the respective year. In case of projects commissioned on or after April 1, 2009, an additional return on equity of 0.5% will be allowed if such projects are completed within the timeline specified under Fiscal 2010-2014 Regulations.

- The Fiscal 2010-2014 Regulations specify depreciation at 5.3% for the majority of our assets and all significant assets in the first 12 years of the life of the asset and thereafter recovery based on residual value over the residual life of the asset, in place of depreciation at 2.9% (for the majority of our assets and all significant assets) in the Fiscal 2005-2009 Regulations.

- The Fiscal 2010-2014 Regulations state that availability incentives are linked with monthly transmission charges instead of increases in the return on equity as set out in the in the Fiscal 2005-2009 Regulations.

- Under the Fiscal 2005-2009 Regulations, advance against depreciation ("**AAD**") was a component of tariff that we were permitted to charge to cover shortfalls in respect of depreciation in a year on assets in order to cover our repayment of debts in respect of such assets. AAD was calculated assuming a 10-year loan repayment schedule. AAD was accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD was transferred to income on a pro-rata basis for the remaining useful life of the asset. The definition of the useful life of the asset was governed by the Fiscal 2005-2009 Regulations. AAD is no longer part of the tariff regulations in effect for Fiscal 2010-2014 and depreciation rates applicable to the Company have been revised in the Fiscal 2010-2014 Regulations.

- The Fiscal 2005-09 Regulations allowed us to recover FERV on normative or actual foreign debts. Under the Fiscal 2010-14 Regulations, hedging of foreign currency exposure in part or full is allowed and the cost of hedging corresponding to normative foreign debt is recoverable. In respect of the unhedged portion of foreign currency exposure, FERV is pass through corresponding to normative foreign currency debt.

- Under the Fiscal 2005-09 Regulations, normative operational and maintenance expenses were calculated by reference to circuit kilometres for transmission lines and per bay for substations. Under the Fiscal 2010-14 Regulations, for AC transmission systems, normative operational and maintenance expenses is based on a rate per km corresponding to conductor configuration and number of circuits for transmission lines and per bay for substations (corresponding to different voltage levels). For HVDC systems, normative operational and maintenance expenses are calculated by reference to the numbers of HVDC back-to-back and bi-pole schemes.

Regulatory provisions enabled for the development of Transmission Systems

Subsequent to the implementation of the Fiscal 2010-2014 Regulations by CERC, the CERC has undertaken a number of regulatory initiatives in relation to power transmission in India. Changes in government policies, laws and regulations in India have a direct impact on our business and operations. See "***Regulations and Policies in India***" for a description of recent laws and regulations applicable to our industry in India.

Growth of the power sector

Our financial results and prospects are significantly affected by general economic conditions prevailing in India, and in particular by developments in the power sector. Demand for electric power transmission services is largely dependent on levels of demand for electric power, and on the ability of the electric power generation and distribution sectors to service that demand. The GoI has developed a national electricity policy, which aims at accelerating the development of the power sector to increase the amount of power generated. We are responsible for the physical expansion and technological modernization of the national grid of India. We enter into projects to extend our transmission infrastructure when there are new electricity generators being constructed that we will connect to our transmission system and we are paid a return on our equity after the commencement of service of a transmission project.

The GoI has adopted a system of successive Five Year Plans that set out targets for economic development in a number of sectors, including the power sector. Each successive Five Year Plan has had increased targets for the addition of power generation capacity. The Eleventh Plan calls for an increase of 62,374 MW during the period April 1, 2007 to March 31, 2012. (Ministry of Power, Annual Report 2009-2010).

Inter-regional power deficit

The inter-regional transmission capacity was developed over the Five Year Plan periods to promote the inter-regional power exchange business among players in different regions. The surplus and deficit regions are the main drivers of growth in inter-regional energy transfer. The Eastern and Northern region systems have a major share in the inter-regional transmission capacity. While the

Eastern region is abundant in coal, the Northern region has hydro resources and as a result these regions generate the most power and also meet maximum demand. During Fiscal 2010, approximately 52.4 billion units of inter regional energy transfer was facilitated across the country as compared to approximately 46.0 billion units in Fiscal 2009. With the strengthening of inter-regional connections by 2012, the inter-regional capacity is planned to grow to 27,950 MW. This shall facilitate transfer of power from surplus regions to deficit regions and drive demand for our transmission services.

Grid Management and Load Dispatch Function

A crucial aspect of the operation of an electric power system is the management of load despatch in real time with reliability and security on an economical basis. In Fiscal 2009, we established the National Load Despatch Center. The NLDC is responsible for monitoring the operations and grid security of the National Grid and supervises the scheduling and dispatch of electricity over inter-regional lines in coordination with the RLDCs. Our wholly-owned subsidiary, Power System Operation Corporation Limited, was established in March 2009 to oversee the grid management function of our operations. POSOCO received a certificate of commencement of business in March 2010, and we are in the process of transferring the movable assets of our power system operations segment it. Further, we modernised the five RLDCs and state load despatch centers and their communication networks, down to the level of individual substations.

Based on the declared capacity of interstate generating stations and the entitlements of states/ beneficiaries, daily generation schedules are prepared. Deviations from these schedules by either generators or customers attract Unschedule Interchange ("**UI**") charges. Under regulations notified by CERC, the RLCs maintain and operate a "Regional UI Pool Account" for settlement of UI payments. Generators or customers drawing above the generation schedules make payments into the Pool Account and the payments are distributed to generators or customers drawing below the generation schedules. The payments are made on a pro rata basis from the available balance in the Pool Account.

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

We earn fees and charges determined by CERC regulations. The fees and charges are paid by all inter-state generating stations and sellers, distribution licensees, buyers and transmission licensees. The fees and charges are determined on a cost plus basis and include a component of a fixed return on equity, employee costs, other operating costs and finance charges. The NLDC charges are apportioned to the five RLDCs which in turn bill these charges to the users.

Availability of funding

We believe our strong financial position will help us finance our infrastructure expansion plans in the coming years. As at September 30, 2010 our debt-equity ratio was 2.1:1. Our domestic bonds have been given, since Fiscal 2001, the highest credit rating, AAA, by CRISIL (a Standard and Poor's Company) and LAAA by ICRA (an associate of Moody's Investor Services) and, since Fiscal 2008, CARE AAA by CARE. Our projects have been regularly funded by loans from the World Bank and the Asian Development Bank. A downgrading of any of our credit ratings may negatively affect our ability to obtain funds.

Rate of commissioning of projects and capitalization rate

Our projects typically require substantial capital outlays and time before the commencement of commercial operation. As per CERC regulations, we are paid a return on our equity in a project only after the commencement of commercial operation of the project. In the event of a time overrun for a project in which we are investing, returns on our investment in that project will be postponed during the delay. In particular, if a new transmission project is linked to a new generation project, and the generation project is delayed, our return on our investment in the transmission project may be postponed, subject only to the receipt of limited indemnification amounts from the generator. Conversely, our failure to complete a transmission project that is linked with a generation project, according to the transmission project's agreed schedule, might require us to indemnify the generators up to certain limited amounts. As a result of any such delays or costs, our return on investment on the affected transmission project may be lower than originally expected. Under the Tariff Regulations, if we demonstrate to CERC that the transmission system is ready for regular service but is so prevented for reasons not attributable to our Company, our contractors or our suppliers, then CERC may approve a date of commencement of commercial operation prior to the transmission project coming into regular service. For example, by its order dated September 24, 2010, CERC approved a date of commercial operation for a part of our Kudunkulum transmission system in the Southern Region, prior to its entering regular service, due to the delay caused by the postponed commissioning of the associated Kudunkulum atomic power project.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards in India.

Revenue Recognition

Transmission income is accounted for based on tariff orders notified by CERC. In case of transmission projects where tariff orders are yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. In such cases, the difference, if any, is adjusted based on the issuance of final notification of tariff orders by CERC. Transmission income on account of additional capitalisation, if any, is accounted for on the basis of specific order by the CERC.

Advance Against Depreciation

AAD, forming part of the Fiscal 2005-2009 Regulations to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years. The outstanding deferred income in respect of AAD is recognised as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent of the difference between the charge of depreciation and recovery of depreciation as a component of tariffs under the Fiscal 2010-2014 Regulations.

Depreciation

Depreciation on our transmission assets, which constitute most of our fixed assets, is charged on the straight line method. In general, depreciation is charged as per the rates as prescribed by CERC and not at the rates prescribed in the Companies Act. Recovery of depreciation up to 90% of capital costs, excluding the cost of freehold land (that is not depreciable), is allowed. In the initial period of 12 years from the date of commencement of commercial operation of the project, depreciation is recovered based on the rates as prescribed in the regulations, and thereafter, the remaining depreciable value is spread over the balance useful life of the assets.

Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

- transmission lines – 35 years

- substations – 25 years

The ULDC assets other than assets identified to be transferred to our subsidiary Power System Operation Corporation are depreciated at 6.7% *per annum*, as permitted by CERC.

We depreciate the assets of our consultancy and telecom businesses on the straight line method as per rates specified in Schedule XIV of the Companies Act.

Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation as specified by the CERC.

Capital expenditure on assets not owned by the Company is amortized over a period of four years from the year in which the first line/sub-station of the project comes into commercial operation and, thereafter, from the year in which the relevant assets are completed and become available for use.

Capital Work-in-Progress

The cost of materials consumed, erection charges and other expenses incurred for the implementation of projects are shown on the balance sheet as capital work-in-progress, pending capitalisation of the completed project.

Expenditures from our Corporate Office, regional offices and projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets. Interest during construction and expenditure (net) allocated to construction are apportioned to capital work in progress on the closing balance of specific asset or part of asset being capitalised. The balance, if any, left after such capitalisation is kept as a separate item under the capital work in progress schedule

Transactions in Foreign Currency

Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates of exchange ruling on the date of the balance sheet.

Unfavourable FERV on foreign currency borrowings, to the extent it does not exceed the difference between the local currency borrowing cost and foreign currency borrowing cost, is treated as borrowing cost.

FERV (except the amount considered "borrowing cost" on foreign currency borrowings) arising on transactions contracted prior to April 1, 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For transactions contracted on or after April 1, 2004, the same is charged to the profit and loss account irrespective of whether the project is under construction or operation.

FERV (excluding FERV during construction period for the transaction contracted on or after April 1, 2004), accounted for as borrowing cost on foreign currency borrowing is recoverable/payable from the beneficiaries on an actual payment basis as per CERC norms with effect from April 1, 2004 or the date of commercial operation of the project which ever is later.

The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:

(a) FERV recoverable or payable is apportioned into (i) amount adjusted to carrying cost of fixed assets and (ii) amount recognised as income/expense in profit and loss account in the same proportion in which FERV is apportioned between carrying cost of fixed assets and profit and loss account.

(b) FERV recoverable/payable adjusted to carrying cost of fixed assets, as referred in (a) above is accounted for as 'deferred foreign currency fluctuation asset/liability account' with a corresponding credit/debit to 'deferred income/expenditure from foreign currency fluctuation account'.

(c) FERV recoverable/payable adjusted in profit and loss referred in (a) above is accounted for as 'deferred foreign currency fluctuation asset/liability account with a corresponding credit/debit to the profit and loss account.

(d) 'Deferred income/expenditure from foreign currency fluctuation account' is amortized in the proportion in which depreciation is charged on such FERV.

(e) The amount recoverable/payable as per CERC norms on year to year basis is adjusted to the 'deferred foreign currency fluctuation asset/liability account' with corresponding credit/debit to the debtors.

FERV up to the date of commercial operation in respect of transactions contracted on or after April 1, 2004, is included in the capital cost for the purpose of tariff. Such FERV and transmission charges received thereon are accounted for as follows:

(a) Such FERV is accounted for as 'Deferred foreign currency fluctuation asset/liability account' with a corresponding credit/debit to the profit and loss account.

(b) The depreciation component of transmission charges (being 90% of such FERV) is adjusted against the 'deferred foreign currency fluctuation asset/liability account'.

(c) The remaining 10% is adjusted against the transmission charges over the tenure of respective loan.

FERV in respect of current assets is taken to the profit and loss account.

Leased Assets – Unified Load Despatch Centre

State sector ULDC assets leased to the SEBs are considered as a finance lease. Net investment in such leased assets along with accretion in subsequent years is accounted for as lease receivables under loans and advances. Wherever grant in-aid is received for construction of state sector ULDC, lease receivable is accounted for net of such grant.

Finance income on leased assets are recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the tariff notified/to be notified by CERC.

FERV on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

No Consolidation

We have two subsidiaries, POSOCO and BTCL. Since the transactions of both the subsidiaries were not considered to be material, the accounts of the two subsidiaries have not been consolidated with our financial statements. BTCL was incorporated on March 23, 2006 to implement the Misa Byrnihat Transmission line by way of a joint venture with a third party. This transmission line was subsequently developed by the Company on a consultancy basis. As such, BTCL was not doing any business and our Board has approved its winding up. The process of dissolution of BTCL is currently ongoing.

SUMMARY DESCRIPTION OF PROFIT AND LOSS ITEMS

Income

We divide our income into revenue from operations and other income.

Revenue from Operations

We divide our revenue from operations into revenue from transmission charges, income from the provision of short term open access, consultancy fees, project management and supervision fees and revenue from our telecommunication business.

Transmission Charges

Tariffs. We derive a major portion of our revenue from transmission charges for the recovery of our annual fixed cost ("**AFC**"). Under the current tariff norms, which are expected to apply through Fiscal 2014, we are permitted to charge for our transmission services at a level that provides us with a 15.5% return on equity and covers interest we owe on outstanding debt, depreciation, operation and maintenance expenditure and interest on working capital. For more details of on the tariff norms applicable to us, see "***Our Business — Tariff Mechanism***" on page 98.

The Tripartite Agreements. Most of our transmission income comes from the state power utilities that comprise our major customers. These utilities include SEBs and, in certain states, the entities that have been unbundled from those SEBs. Pursuant to the "One Time Settlement" in Fiscal 2003, the GoI, on behalf of the Central Sector Power Utilities ("**CSPUs**"), including our Company, executed Tripartite Agreements with the RBI and the respective state governments, in order to effectuate a settlement of overdue payments owed to the CSPUs by the SEBs, with provisions for incentives being payable by us for future timely payment payable up to Fiscal 2006. In addition, a similar settlement was entered into between the GoI and the government of national capital territory of Delhi. Under these agreements, the amounts overdue from the SEBs and outstanding to us as at September 30, 2001 were "securitized" through the issue of bonds by the SEBs with a face amount of ₹ 18,618.6 million, and through the conversion into a long-term advance of ₹ 1,542.5 million in respect of the Delhi utility, DVB. We are paid a tax-free interest on these bonds (and long term advance) at a rate of 8.5% per annum. The bonds are repayable in 20 equal six-monthly instalments starting from October 1, 2006 to April 1, 2016. The bonds are guaranteed as to payment of interest and principal by the GoI. We can sell 10% of these bonds in the open market every year with the prior permission of the RBI. As at September 30, 2010, the total amount due from such bonds was ₹ 10,761 million.

Under the Tripartite Agreements, each SEB (and, in the case of SEBs that have been unbundled, each of their successor entities) is required to establish and maintain a letter of credit in our favour with a commercial bank. The letter of credit is required to cover 105% of the preceding twelve months' average monthly billing and is required to be updated twice every year. If the payments are not made within the stipulated time period or a letter of credit for the required amount is not in place, we have the right to regulate the power supply to the concerned SEB as per the provisions of the Tripartite Agreements and provisions set out by CERC. The SEBs are required to make its regular payments to us for transmission services either through the letter of credit or otherwise within 60 days after we raise an invoice. If payment is not made within 60 days, we have the right to reduce power supply. If payment is not made beyond 90 days the GoI is required to pay the outstanding amounts to us from the concerned state's account balance with the RBI.

Short Term Open Access

One of the goals of the Electricity Act, 2003 is to provide electricity generators and users with open access to electric power transmission systems on a non-discriminatory basis, when capacity is available and such access will not disrupt network operation.

We charge for short term open access at rates notified by CERC under short term open access regulations which became effective from June 15, 2009 for bilateral, inter-regional and collective transactions. We retain 25% of the short term open access charge and pass on 75% of the charge to our long term customers in the form of rebate adjustments in their monthly bills. Our portion of revenue from the short term open access charge is accounted for as revenue from operations.

As RLDC and NLDC we also charge short term open access customers a separate fee for the scheduling of their access through the relevant load despatch centres. All bilateral transactions are undertaken through the RLDCs, while transactions facilitated by the power exchanges are undertaken by NLDC. These fees include application money and scheduling charges for each transaction and the total charges are dependant on the volume of transactions undertaken. We account for this fee as other income. For a more detailed discussion of short term open access, see "***Our Business – Open Access***" on page 104.

Revenue from Consultancy, Project Management and Supervision

We also earn revenue from consultancy (including for project management and supervision services) and from our telecommunication business. Our consultancy income mainly consists of fees from work under the RGGVY scheme, the execution of transmission- and communication system-related projects on a turnkey basis and technical consulting assignments for Indian state utilities and utilities in other countries.

Revenue from Telecommunications

Our revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines.

Provisions Written Back

Provisions written back is the reversal of provisions created in prior years which were then necessitated due to doubtful loans, advances, and claims, unserviceable works, shortages in stores and spares, obsolescence/diminution in value of inventory items.

Other Income

Other income includes interest earned from bonds issued under the One Time Settlement, interest from banks and other financial institutions, profit on the sale of fixed assets, dividends on trade investments, deferred income derived from the amortization of certain grants, operational charges in respect of the scheduling of short term open access, lease income from the upgrade of unified load despatch and communication facilities (representing reimbursements to us for certain capital expenditures we made in respect of the state sector utilities, which are being made to us by the constituents of those regions on a finance lease basis), surcharges on late payment from customers, FERV gain and other miscellaneous income.

Expenditures

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, incentives, allowances, benefits, contributions to provident and other funds and welfare expenses. Employee pay scales are determined by our Board based on guidelines provided by the Department of Public Enterprises. For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. For our non-unionised employees, pay scales are decided by our Board.

Pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the Company has implemented a pay revision effective from January 1, 2007 in respect of executives. The negotiation in respect of employees in the non-executive category, effective from January 1, 2007, is in the process of implementation. We have accounted for the same during the half year ended September 30, 2010. Further, pending finalization of pay revisions in respect of employees in the non-executive category, provisions of ₹ 602.4 million and ₹ 4028.9 million has been made for the half-year period from April 1, 2010 to September 30, 2010 and for the period from January 1, 2007 to September 30, 2010, respectively, on an estimated basis having regard to the guidelines issued by the DPE.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses consist primarily of costs of the repair and maintenance of buildings, plant and machinery and power charges. These items constitute approximately 50% of this overall expense category. Other items in this category include expenditures for travel, security, vehicle hire charges, insurance, CSR activities (from April 1, 2009), rent and rates and taxes on our properties.

Depreciation

We expense depreciation as per our accounting policy. See "***Critical Accounting Policies – Depreciation***" above.

Provisions

We maintain provisions in respect of doubtful debts, advances and shortages in stores. Such provisions are made on a yearly basis on an estimated basis and are based upon management's assessments of provisioning norms applicable to each item.

Interest and Finance Charges

Our interest charges consist principally of interest expense and other finance charges on bonds and term loans. Our borrowings are denominated in Rupees and foreign currencies, including the Japanese Yen, the U.S. Dollar, the Swedish Kronor and the Euro. Borrowing costs incurred during the construction period of a project are capitalised.

Deferred Revenue Expenditure (DRE) Written Off

A transmission system project is capitalised when it is ready for its intended use. Up to Fiscal 2003, whenever there had been a delay in the commencement of commercial operations of a new project mainly due to mismatch in the timing of the commissioning of a generation project vis-à-vis its associated transmission projects, the revenue expenditure (excluding interest charges) and depreciation incurred during the period of delay was treated as deferred revenue expenditure and amortised over a period of five years from the year commercial operation commenced. After the introduction of AS 26, which came into effect in Fiscal 2004, this policy was discontinued. However, unamortised amounts of DRE in all projects capitalized up to March 31, 2003 continue to be amortised during the balance period.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our unconsolidated revenues, expenditures and profits, including as a percentage of total revenues, for the periods indicated. Percentages may not tally due to rounding.

(₹ in million, except percentages)

	Fiscal 2009	% of Total Income	Fiscal 2010	% of Total Income	First Half of Fiscal 2010	% of Total Income	First Half of Fiscal 2011	% of Total Income
Income								
Revenue from operations	56,899.9	92.7	71,274.5	95.0	34,155.2	94.5	41,257.5	94.4
Provisions written back	0.4	0.0	2.1	0.0	0.0	0.0	376.1	0.9
Other income	4,486.9	7.3	3,759.2	5.0	1,997.1	5.5	2,093.0	4.8
Total Income	61,387.2	100.0	75,035.8	100.0	36,152.3	100.0	43,726.6	100.0
Expenditures								
Employees' remuneration and benefits	6,438.8	10.5	7,267.0	9.7	3,655.3	10.1	3,926.7	9.0
Transmission, administration and other expenses	4,116.1	6.7	5,074.3	6.8	2,007.9	5.6	2,611.9	6.0
Depreciation	10,939.7	17.8	19,796.9	26.4	10,488.6	29.0	10,455.1	23.9
Provisions	462.3	0.8	221.5	0.3	21.5	0.1	41.5	0.1
Interest and finance charges	16,422.7	26.8	15,432.4	20.6	7,688.6	21.3	8,090.5	18.5
Deferred revenue expenditure written off	18.3	0.0	17.8	0.0	9.2	0.0	8.9	-
Total Expenditures	38,397.9	62.6	47,809.9	63.7	23,871.1	66.0	25,134.6	57.5
Profit for the year before tax, prior period adjustments	22,989.3	37.4	27,225.9	36.3	12,281.2	34.0	18,592.0	42.5
Less: prior period expenditure/ (income) (net)	703.6	1.1	962.7	1.3	(6.1)	0.0	23.0	0.1
Profit Before Tax	22,285.7	36.3	26,263.2	35.0	12,287.3	34.0	18,569.0	42.5
Less: provision for taxation								
- current year	3,182.5	5.2	4,303.4	5.7	1,800.8	5.0	3,538.5	8.1
- earlier years	1,603.5	2.6	(84.3)	(0.1)	262.3	0.7	45.9	0.1
Fringe benefit tax								
- current year	146.2	0.2	-	-	-	-	-	-
- earlier year	(0.2)	0.0	(15.0)	0.0	(15.0)	0.0	-	-
Profit After Current Tax	17,353.7	28.3	22,059.1	29.4	10,239.2	28.3	14,984.6	34.3
Less: Provision for deferred tax								
- total deferred tax liability	7,184.9	11.7	2,250.2	3.0	3,900.9	10.8	1,493.8	3.4

	Fiscal 2009	% of Total Income	Fiscal 2010	% of Total Income	First Half of Fiscal 2010	% of Total Income	First Half of Fiscal 2011	% of Total Income
- less: recoverable from beneficiaries for arrears of earlier years	6,737.3	11.0	600.5	0.8	3,727.5	10.3	55.0	0.1
Profit After Tax	16,906.1	27.5	20,409.4	27.2	10,065.8	27.8	13,545.8	31.0

Comparison of the First Half of Fiscal 2011 to the First Half of Fiscal 2010

Our total income in the first half of Fiscal 2011 was ₹ 43,726.6 million, which represented an increase of 21.0% over our total income of ₹ 36,152.3 million in the first half of Fiscal 2010.

Income

Revenue from Operations

Our revenue was higher in the first half of Fiscal 2011 as compared to the first half of Fiscal 2010 mainly on account of the commissioning of new transmission assets worth ₹ 50,876.7 million, including the following major projects:

- Barh Transmission System, worth ₹ 30,400.6 million;
- Kudankulam Transmission Project worth ₹ 5,682.2 million; and
- System Strengthening Scheme V-NR worth ₹ 3,330.3 million.

In addition, an increase in consultancy revenue from ₹ 960.5 million in the first half of Fiscal 2010 to ₹ 1,519.5 million in the first half of Fiscal 2011 contributed to our higher revenues.

Provisions Written Back

Our provisions written back were ₹ 376.1 million in the first half of Fiscal 2011, as against nil in the first half of Fiscal 2010. Our provisions written back increased mainly because provisions of ₹ 344.6 million made in the first half of Fiscal 2009 relating to the doubtful recovery of Fringe Benefit Tax amounts was written back upon the recovery of these amounts.

Other Income

Our other income was ₹ 2,093.0 million in the first half of Fiscal 2011, an increase of 4.8% over our other income of ₹ 1,997.1 million in the first half of Fiscal 2010. Our other income increased mainly because of higher dividends received from investments in joint ventures in the first half of Fiscal 2011.

Expenditures

Our total expenditures were ₹ 25,134.6 million in the first half of Fiscal 2011, an increase of 5.3% over our total expenditures of ₹ 23,871.1 million in the first half of Fiscal 2010. Our total expenditures as a percentage of total income were 57.5% in the first half of Fiscal 2011 compared to 66.0% in the first half of Fiscal 2010.

Employees' Remuneration and Benefits

We had 9,717 employees on our payroll as at September 30, 2010, compared to 8,977 employees as at September 30, 2009. Employees' remuneration and other benefits increased by 7.4% to ₹ 3,926.7

million in the first half of Fiscal 2011 from ₹ 3,655.3 million in the first half of Fiscal 2010. The increase is due to an increase in the number of employees. The increase is also partially the result of the capitalisation of transmission assets worth ₹ 50,876.7 million in the first half of Fiscal 2011 because employee remuneration that was earlier capitalized during the construction of the project is treated as an operating expense subsequent to the commissioning of the project.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses increased by 30.1% to ₹ 2,611.9 million in the first half of Fiscal 2011 from ₹ 2,007.9 million in the first half of Fiscal 2010. The increase is on account of the capitalisation of transmission assets worth ₹ 50,876.7 million in the first half of Fiscal 2011 as certain expenses are treated as an operating expense subsequent to the commissioning of the project. These expenses included power charges, security, hiring of vehicles and insurance, among others.

The increase was also the result of the impact of a change in accounting policies relating to the allocation of common expenses of our corporate office, regional offices and projects, common to operation and construction activities. These expenses were previously allocated to various diversified activities of our Company (transmission, telecom, consultancy and APDRP) in the ratio of the respective income/reimbursement of each activity and further allocated between revenue and Incidental Expenditure during Construction in the proportion of transmission charges and telecom income to annual capital outlay. These charges are now identified and allocated on systematic basis with retrospective effect from April 1, 2008, resulting in a greater amount being allocated to transmission, administration and other expenses in Fiscal 2010. These accounting policies were implemented in Fiscal 2010.

Depreciation

Our depreciation decreased by 0.3% to ₹ 10,455.1 million in the first half of Fiscal 2011 from ₹ 10,488.6 million in the first half of Fiscal 2010. This decrease was due to the fact that the Company utilised the depreciation rates contained in the Companies Act, 1956 for the first half of Fiscal 2010 as opposed to utilising the depreciation rates permitted by CERC pursuant to the Fiscal 2010-2014 Regulations for the first half of Fiscal 2011.

Provisions

Provisions increased to ₹ 41.5 million in the first half of Fiscal 2011 from ₹ 21.5 million in the first half of Fiscal 2010. Provisions were higher in the first half of Fiscal 2011 due to the creation of provision of ₹ 28.4 million in respect doubtful recovery of outstanding consultancy debts.

Interest and Finance Charges

Interest and finance charges increased by 5.2% to ₹ 8,090.5 million in the first half of Fiscal 2011 from ₹ 7,688.6 million in the first half of Fiscal 2010. The increase is mainly because of the funding costs associated with the commissioning of new transmission assets worth ₹ 50,876.7 million.

These charges include rebates to state power utilities amounting to ₹ 377.8 million on account of prompt payment and guarantee fees of ₹ 610.0 million payable to the GoI for providing guarantees to the lenders of our foreign currency loans.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 3.3% to ₹ 8.9 million in the first half of Fiscal 2011 from ₹ 9.2 million in the first half of Fiscal 2010. This decrease was due to the fact that we discontinued our DRE policy with effect from April 1, 2003, the date of applicability of AS 26. Only the unamortised amount as at March 31, 2003 is being amortised during the remaining period. It will continue to decrease from year to year.

Profit before Tax and Prior Period Adjustments

Our profit before tax in the first half of Fiscal 2011 was ₹ 18,592.0 million, an increase of 51.4% over our profit before tax of ₹ 12,281.2 million in the first half of Fiscal 2010.

Provision for Tax

In the first half of Fiscal 2011, we provided for ₹ 5,023.2 million of tax, compared to ₹ 2,221.5 million in the first half of Fiscal 2010. The increase was primarily due to the increase in our profit before tax. This figure was also affected by changes in the Minimum Alternate Tax rate from 16.995% in the first half of Fiscal 2010 to 19.93% in the first half of Fiscal 2011. The majority of the Minimum Alternate Tax we pay in respect of our transmission business is recovered from the grossing up of the return on equity component of transmission charges at the applicable MAT rate.

Prior period adjustments for the first half of Fiscal 2011 of ₹ 23.0 million were mainly on account of adjustments of ₹ 31.3 million made in respect of amortisation of depreciation for Fiscal 2010.

Profit after Tax

As a result of the foregoing the net profit after tax increased by 34.6% to ₹ 13,545.8 million in the first half of Fiscal 2011 from ₹ 10,065.8 million in the first half of Fiscal 2010. As a percentage of total income, net profit after tax increased to 31.0% in the first half of Fiscal 2011 from 27.8% in the first half of Fiscal 2010.

Comparison of Fiscal 2010 to Fiscal 2009

Our total income in Fiscal 2010 was ₹ 75,035.8 million, which represented an increase of 22.2% over our total income of ₹ 61,387.2 million in Fiscal 2009. In Fiscal 2010, transmission and transmission-related activities constituted 89.3% of our total income, with the balance coming from our consultancy, telecommunication businesses and other income.

Income

Revenue from Operations

Our revenues were higher in Fiscal 2010 as compared to Fiscal 2009 on account of revenue recognition as per new tariff norms implemented for the period Fiscal 2010-2014. In general, revenue increased due to higher rates of return on equity, higher depreciation rates and a revision of normative operation and maintenance charges. This increase was partly offset by changes in the manner in which incentives are determined and reductions in the working capital component of tariffs. Revenues were further affected by the full year impact of transmission assets worth ₹ 37,337.4 million commissioned during Fiscal 2009 and the commissioning of new transmission assets worth ₹ 36,098.3 million during Fiscal 2010, including major projects such as Sipat-II Supplementary, NLC-II, North-West Transmission Corridor, and Northern Region System Strengthening –V. Projects commissioned in Fiscal 2010 generated revenue from the respective date of commercial operation during the year.

Income from short term open access increased significantly from ₹ 414.2 million in Fiscal 2009 to ₹ 1,241.8 million in Fiscal 2010 due to increases in the volume of short term open access transactions. Further, a revision in the rate of transmission charges by CERC with effect from June 15, 2009 from

03 Paise/06 Paise/09 Paise per unit to 08 Paise/16 Paise/24 Paise per unit for (i) intra-region transmission transactions, (ii) adjacent region transmission transactions and (iii) transactions involving transmission through one or more regions, respectively; and an increase in the transmission charge rate for collective transactions through power exchanges from 03 Paise/Unit to 10 Paise/Unit for each point of injection and each point of withdrawal also led to an increase in short term open access income.

Income from consultancy, project management and supervision increased by 24.7% from ₹ 2,159.0 million in Fiscal 2009 to ₹ 2,691.7 million in Fiscal 2010 due to new consultancy assignments from clients such as Teesta Valley Power Transmission Limited, Dubai Electricity and Water Authority, North East Transmission Company Limited and Punjab State Electricity Board.

Income from telecommunications increased by 5.3% from ₹ 1,498.3 million in Fiscal 2009 to ₹ 1,577.2 million in Fiscal 2010 due to higher orders from existing customers leading to higher capacity utilisation.

Provisions Written Back

Our provisions written back were ₹ 2.1 million in Fiscal 2010, as against ₹ 0.4 million in Fiscal 2009. Our provisions written back increased mainly because of recovery of a doubtful insurance claim.

Other Income

Our other income was ₹ 3,759.2 million in Fiscal 2010, a decrease of 16.2% on our other income of ₹ 4,486.9 million in Fiscal 2009.

Our other income decreased mainly because of a decrease in interest income from investments in banks because in Fiscal 2009 we earned interest on unutilized IPO proceeds that were subsequently utilised in Fiscal 2010. There is decrease in interest income on tax free bonds on account of repayment of bonds and a decrease in lease income from State-sector ULDC upgrades. Under the financial lease between the Company and SEBs for these ULDC upgrades the principle amount will increase and the lease rentals will decrease each year.

Expenditures

Our total expenditures were ₹ 47,809.9 million in Fiscal 2010, an increase of 24.5% over our total expenditures of ₹ 38,397.9 million in Fiscal 2009. Our total expenditures as a percentage of total income were 63.7% in Fiscal 2010 compared to 62.6% in Fiscal 2009.

Employees' Remuneration and Benefits

We had 9,162 employees on our payroll as at March 31, 2010, compared to 8,214 employees as at March 31, 2009. Employees' remuneration and other benefits increased by 12.9% to ₹ 7,267.0 million in Fiscal 2010 from ₹ 6,438.8 million in Fiscal 2009. The increase is due to an increase in the number of employees, an increase in dearness allowance (that is linked to increases in inflation) and the impact of the implementation of pay revisions in respect of the executive category of employees, provisions for the implementation of pay revisions for the supervisors and workmen pending the implementation of their pay revision. The increase is also partially the result of the capitalisation of new transmission assets worth ₹ 36,098.3 million commissioned in Fiscal 2010 because employee remuneration is treated as an operating expense subsequent to the commissioning of the project.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses increased by 23.3% to ₹ 5,074.3 million in Fiscal 2010 from ₹ 4,116.1 million in Fiscal 2009. The increase is on account of the capitalisation of new transmission assets worth ₹ 36,098.3 million commissioned in Fiscal 2010 as certain expenses that were earlier being capitalized during the construction of the project are treated as an operating expense subsequent to the commissioning of the project. The increase was also the result of the impact of a change in accounting policies relating to the allocation of common expenses of our corporate office, regional offices and projects, common to operation and construction activities. These expenses were previously allocated to various diversified activities of the company (transmission, telecom, consultancy and APDRP) in the ratio of the respective income/reimbursement of each activity and further allocated between revenue and Incidental Expenditure during Construction in the proportion of transmission charges and telecom income to annual capital outlay. These charges are now identified and allocated on systematic basis with retrospective effect from April 1, 2008, resulting in a greater amount being allocated to transmission, administration and other expenses in Fiscal 2010. These accounting policies were implemented in Fiscal 2010. For Fiscal 2009, the impact has been accounted for in prior period expenditure leading to an increase in prior period expenditure by ₹ 919.2 million in Fiscal 2010.

Depreciation

Our depreciation increased by 81.0% to ₹ 19,796.9 million in Fiscal 2010 from ₹ 10,939.7 million in Fiscal 2009. The increase was due in part to changes in depreciation rates under the Fiscal 2010-2014 Regulations, which specify depreciation at 5.3% for the majority of our assets and all significant assets in the first 12 years of the life of the asset and thereafter recovery based on the residual value over the residual life of the asset, in place of depreciation at 2.91% (for the majority of our assets and all significant assets) in the Fiscal 2005-2009 Regulations. In respect of existing projects, the balance depreciable value as at April 1, 2009 has been determined by deducting the cumulative depreciation charged up to March 31, 2009 from the gross depreciable value of the asset.

Depreciation was further impacted by the commissioning of new transmission assets worth ₹ 36,098.3 million in Fiscal 2010 and full-year impact in Fiscal 2010 of transmission assets worth ₹ 37,337.4 million which were commissioned during Fiscal 2009.

Provisions

Provisions decreased by 52.1% to ₹ 221.5 million in Fiscal 2010 from ₹ 462.3 million in Fiscal 2009. Provisions made in Fiscal 2010 mainly included ₹ 96.2 million for doubtful FERV recoverable in respect of RLDCs. The decrease was due to a provision included in Fiscal 2009 for doubtful recoverable fringe benefit tax amounting to ₹ 359.4 million, which was nil in Fiscal 2010.

Interest and Finance Charges

Interest and finance charges decreased by 6.0% from 16,422.7 million in Fiscal 2009 to ₹ 15,432.4 million in Fiscal 2010. The decrease is mainly because of the reduction of interest on foreign currency loans due to the decrease in LIBOR from 1.7% as at March 31, 2009 to 0.4% as at March 31, 2010. These charges also include rebates to state power utilities amounting to ₹ 776.8 million on account of prompt payment and guarantee fees of ₹ 658.8 million (net of transfers to Incidental Expenditure during Construction) payable to the GoI for guarantees to the lenders of our foreign currency loans.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 2.7% to ₹ 17.8 million in Fiscal 2010 from ₹ 18.3 million in Fiscal 2009. This decrease was due to the fact that we discontinued our DRE policy with effect from April 1, 2003, the date of applicability of AS 26. Only the unamortised amount as at March 31, 2003 is being amortised during the remaining period.

Profit before Tax and Prior Period Adjustments

Our profit before tax in Fiscal 2010 was ₹ 27,225.9 million, an increase of 18.4% over our profit before tax of ₹ 22,989.3 million in Fiscal 2009.

Provision for Tax and Prior Period Adjustments

We provided for ₹ 4,219.1 million of Minimum Alternate Tax, compared to ₹ 4,786.0 million in Fiscal 2009. The decrease, in spite of an increase in profit before tax, was primarily due to the fact that our MAT provision in Fiscal 2009 included ₹ 1,603.5 million on account of Minimum Alternate Tax for earlier years.

Further, provision for tax was impacted in Fiscal 2010 due to the abolition of Fringe Benefits Tax in India and the increase in Minimum Alternative Tax on book profits, which increased from 10% to 15%.

Provision for deferred tax is made in respect of temporary differences mainly on account of higher depreciation charges available under income tax provisions. Our total deferred tax liability in Fiscal 2010, decreased to ₹ 2,250.2 million compared to ₹ 7,184.9 million in Fiscal 2009. This was due to the fact that the Company began claiming a tax benefit under Section 80IA of the Income Tax Act from Fiscal 2010 and, as per AS 22, no deferred tax liability is provided for in respect of the temporary differences that reverse during the tax holiday period (which is the period for which the 80IA deduction is claimed). Deferred tax liability recoverable from beneficiaries decreased to ₹ 600.5 million as compared to ₹ 6,737.3 million in Fiscal 2009 since, under the Fiscal 2010-2014 Regulations deferred tax liability cannot be recovered from beneficiaries. The amount of ₹ 600.5 million recoverable from beneficiaries in Fiscal 2010 is in respect of arrears for the earlier years.

Prior period adjustments of ₹ 962.7 million was mainly on account of the impact from changes in our accounting policies relating to the allocation of ₹ 919.2 million in common expenses of our corporate office, regional offices and projects, common to operation and construction activities.

Profit after Tax and Prior Period Adjustments

As a result of the foregoing the net profit after tax increased by 20.7% to ₹ 20,409.4 million in Fiscal 2010 from ₹ 16,906.1 million in Fiscal 2009. As a percentage of total income, net profit after tax remained steady at 27.2% in Fiscal 2010 from 27.5% in Fiscal 2009.

LIQUIDITY AND CAPITAL RESOURCES

We depend on both internal and external sources of liquidity to provide working capital and to fund capital requirements. We have historically funded our capital expenditures with internally generated funds, grants and equity contributions by the Government and debt financing. We generally enter into long term borrowings in the form of privately placed domestic bonds in Rupees and loans in foreign currencies from multilateral agencies such as the World Bank and ADB. As at September 30, 2010, we had cash and cash equivalents of ₹ 35,611.6 million. As at September 30, 2010, we also had committed and undrawn credit facilities for capital requirements of approximately ₹ 360.1 million and committed and undrawn working capital facilities of approximately ₹ 3,000.0 million.

In the past, we have also received the support of the GoI in part through equity infusions.

Cash Flows

(₹ in million)

	Year ended March 31,		First Half of Fiscal 2011
	2009	**2010**	
Net cash from operating activities	65,906.4	66,191.7	33,780.7
Net cash (used in) investment activities	(91,567.5)	(96,608.6)	(48,011.4)
Net cash from (used in) financing activities	31,294.0	38,904.5	17,065.9
Cash and cash equivalents at the end of the year	24,288.8	32,776.4	35,611.6

Net Cash From (Used In) Operating Activities

Our net cash flows from operating activities are principally used to service long-term debt, for capital expenditures, for investments and for dividends.

Our net cash from operating activities for the six months ended September 30, 2010 was 33,780.7 million. Changes in assets and liabilities that had a current period cash flow impact included an increase in loans and advances, an increase in debtors and increases in provisions for current liabilities.

Our net cash from operating activities was ₹ 66,191.7 million in Fiscal 2010. The impact consisted mainly increase in operating profit before working capital changes to ₹ 60,095.4 million.

Our net cash from operating activities was ₹ 65,906.4 million in Fiscal 2009. The impact consisted mainly increase in operating profit before working capital changes to ₹ 57,468.2 million.

Net Cash From (Used in) Investment Activities

Our net cash used in investment activities was ₹ 48,011.4 million for the six months ended September 30, 2010. This reflected expenditure on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of ₹ 49,030.2 million and receipt of interest and dividend income of ₹ 947.2 million.

Our net cash used in investing activities was ₹ 96,608.6 million in Fiscal 2010. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of ₹ 100,526.6 million, investments in joint ventures and subsidiaries of ₹ 470.6 million and receipt of interest on bonds/loans to state governments and dividend income of ₹ 1,407.8 million. This was offset by an increase in lease receivables of ₹ 1,114.5 million.

Our net cash used in investing activities was ₹ 91,567.5 million in Fiscal 2009. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of ₹ 94,236.0 million, investments in joint ventures and subsidiaries of ₹ 395.0 million and receipt of interest on bonds/loans to state governments and dividend income of ₹ 1,525.3 million.

Net Cash From (Used in) Financing Activities

Our net cash from financing activities was ₹ 17,065.9 million from the six months ended September 30, 2010. We raised ₹ 37,869.5 million of new borrowings. These borrowings included principally

Rupee denominated bonds and foreign currency borrowings. We repaid ₹ 15,797.2 million of borrowings and paid interest of ₹ 5,006.4 million. In addition, net cash from financing activities was affected by the smaller amount of interest paid on loans due to adjustments made in respect of favorable exchange rate variations on our outstanding foreign currency loans.

In Fiscal 2010, our net cash flow from financing activities was ₹ 38,904.5 million. We raised ₹ 80,237.3 million of new borrowings, consisting principally of Rupee denominated bonds and foreign currency borrowings. In addition, short term loans of ₹ 12,500 million were also raised. We repaid ₹ 21,427.2 million of borrowings and paid interest and finance charges of ₹ 14,746.8 million. In Fiscal 2010, we paid dividends of ₹ 5,050.8 million comprising final dividends for Fiscal 2009, as well as an interim dividend for Fiscal 2010.

In Fiscal 2009, our net cash flow from financing activities was ₹ 31,294.0 million. We raised ₹ 57,171.0 million of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. In addition, short term loans of ₹ 7,500 million were also raised. We repaid ₹ 21,778.9 million of borrowings and paid interest of ₹ 24,816.4 million. In Fiscal 2010, we paid dividends of ₹ 5,050.8 million comprising final dividend for Fiscal 2008 and an interim dividend for Fiscal 2009.

Capital Expenditures

Our capital expenditures are primarily for the installation of new transmission capacity and the expansion of existing capacity. Our capital expenditures in Fiscal 2010 and Fiscal 2009 were ₹ 106,170 million and ₹ 81,670 million, respectively. Our capital expenditure in the six months ended September 30, 2010 was ₹ 36,824.6 million.

Our capital expenditure budgets are subject to modification as a result of a variety of factors, including the availability of internal and external resources, changes to expansion plans and similar other factors.

Planned Capital Expenditure

Based on generation capacity targeted during the Eleventh Five Year Plan, we plan on capital expenditure of an aggregate amount up to ₹ 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012.

Return on Net Worth

The return on net worth that we are generally permitted on transmission assets on a pre-tax basis under our tariffs is at a base rate of 15.5% to be grossed up by the normal tax rate as applicable for the respective year. For projects commissioned on or after April 1, 2009, there is an additional return of 0.5% if the new projects are completed within the timeline specified in the Fiscal 2010-2014 Regulations.

Our actual return on net worth for Fiscal 2010 for our entire business was 12.8% as against 11.6% in Fiscal 2009. This is due to a number of reasons, firstly we have significant funds under capital work-in-progress, which do not earn return until the associated transmission projects commence operations. When there is a delay in the commencement of operations of a project, whether caused by us or caused by a delay in the generation project from which our transmission project is to draw power, the time during which no return on equity is earned increases. In addition, the SEB bonds that we hold under the One Time Settlement earn a maximum of 8.5% per annum. Further, some of our investments in joint ventures, may provide lesser returns. For these and other reasons, our actual returns on equity may vary from period to period.

Selected Balance Sheet Items

Fixed Assets

Our total fixed assets after depreciation were ₹ 311,284.4 million and ₹ 320,612.6 million, as at March 31, 2009 and 2010, respectively. Our fixed assets as at September 30, 2010, were ₹ 355,621.8 million. Our fixed assets consist of plant and machinery such as transmission lines, substations, HVDC and ULDC equipment and other transmission equipment; buildings; land; office equipment; fixtures; and motor vehicles. Fixed assets value increased by 3.0% in Fiscal 2010 as compared to Fiscal 2009. These increases are mainly due to the commissioning of new transmission assets.

Capital Work-in-Progress and Construction Stores and Advances

Our capital work-in-progress was ₹ 65,334.3 million and ₹ 102,423.7 million, as at March 31, 2009 and 2010, respectively. Our capital work-in-progress as at September 30, 2010, was ₹ 94,758.1 million. The cost of materials consumed, erection charges and other expenses incurred for the implementation of projects are shown in the balance sheet as capital work-in-progress, pending capitalization of the completed project. The change in this amount is due to the capitalization of a number of transmission projects on commissioning of these projects and due to undertaking of new transmission projects.

Construction stores and advances were ₹ 67,525.7 million and ₹ 101,798.1 million, as at March 31, 2009 and 2010, respectively. Our construction stores and advances as at September 30, 2010, were ₹ 112,997.1 million. These amounts represent our new as well as ongoing capital expenditure on transmission assets. The increases in these amounts are mainly due to the undertaking of new transmission projects.

Investments

Our investments mainly consist of bonds issued by the SEBs as part of the One Time Settlement. We have also invested (i) ₹ 120 million in equity shares of PTC India Limited, the power trading company, (ii) ₹ 2,293.2 million in Powerlinks Transmission Limited, the joint venture between us and The Tata Power Company Limited through which the Tala Transmission Project was constructed, (iii) ₹ 234.0 million in Torrent Power Grid Limited, (iv) ₹ 455.0 million in Jaypee Powergrid Limited, (v) ₹ 33.9 million in Parbati Koldam Transmission Company Limited, ₹ 100,000 in Teestavalley Power Transmission Limited, ₹ 231.0 million in North East Transmission Limited, (vi) ₹ 6.2 million in Energy Efficiency Services Limited, (vii) ₹ 8.8 million in National High Power Test Laboratory Limited, (viii) ₹ 500,000 in POSOCO, a subsidiary of our Company and (ix) ₹ 400,000 (after a diminution of ₹ 100,000) in BTCL. Our total investments were ₹ 14,532.2 million and ₹ 15,928.3 million as at March 31, 2010 and March 31, 2009, respectively. Our total investments were ₹ 14,851.2 million as at September 30, 2010.

Loans and Advances

Our total loans and advances were ₹ 28,279.9 million and ₹ 33,024.0 million, as at March 31, 2009 and 2010, respectively. Our total loans and advances as at September 30, 2010 were ₹ 28,389.1 million. Loans and advances include advances under the One Time Settlement amounting to ₹ 1,079.8 million in respect of DVB, a Delhi utility, loans to employees, lease receivables (representing certain capital expenditures we made in respect of the state sector ULDCs of all five regions, for which the constituents of those regions are reimbursing us on a finance lease basis), loans and advances to contractors, advance income tax, TDS and other deposits with tax authorities. The increase in loans and advances from Fiscal 2009 to Fiscal 2010 was principally due to increases in amount recoverable from constituents on account of UI charges which are payable to certain other constituents.

Other Current Assets

Our other current assets were ₹ 13,849.2 million and ₹ 4,875.2 million, as at March 31, 2009 and 2010, respectively. Our other current assets as at September 30, 2010 were ₹ 4,741.3 million. Other current assets mainly include interest accrued on investments under the One Time Settlement and interest accrued on term deposits.

Other current assets decreased by 64.8% in Fiscal 2010 as compared to Fiscal 2009 due to decreases in deferred Foreign Currency Fluctuation Asset in other current assets in view of the appreciation of the Rupee against the US dollar.

Inventories

Inventories are valued at lower of the cost, determined on a weighted average basis, and net realizable value. The costs of inventories ₹ 2,975.7 million, and ₹ 3,449.0 million as at March 31, 2009 and 2010. Cost of inventories as at September 30, 2010 were ₹ 3,626.1 million. Our inventories consist of transmission line items such as tower parts, conductors, insulators and other items, and substation items such as transformers, circuit breakers, ICTs and other items. The cost of our inventories increased in Fiscal 2010 as compared with Fiscal 2009, on account of our continued expansion of the transmission network and capitalization of new projects.

Sundry Debtors

Sundry debtors consist principally of receivables relating to transmission services, and also receivables from consultancy services and telecom services. Our sundry debtor amounts as at March 31, 2009 and 2010 were ₹ 13,735.6 million and ₹ 22,148.6 million, respectively. Sundry debtors increased by 61.3% in Fiscal 2010 as compared to Fiscal 2009. The increase from Fiscal 2009 to Fiscal 2010 was mainly due to revenue recognition for existing projects as per new tariff norms notified by CERC and set out in the Fiscal 2010-2014 Regulations, whereas billings were provisionally raised as per tariff norms notified under the Fiscal 2005-2009 Regulations, leading to a ₹ 8,834.8 million increase in sundry debtors. The change was also due in part to time lags between the provision of transmission services on certain new projects in Fiscal 2009 and the formal notification by CERC of the tariffs relating to those projects in Fiscal 2010. We can recognize certain tariff components that are chargeable on a pass-through/recoverable basis as income, such as foreign exchange rate variations, without waiting for final tariff notifications.

Our sundry debtor amounts as at September 30, 2010 were ₹ 28,650.2 million. These debtors are unsecured except to the extent of ₹ 5,589.8 million in SEB billings that are covered by letters of credit pursuant to the One Time Settlement. Of the total sundry debtor amount, ₹ 18,676.8 million was as yet unbilled due to time lags between the provision of transmission services on certain new projects in and the formal notification by CERC of the tariffs relating to those projects and thus not yet secured by a letter of credit.

Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. A significant part of our external funding has been through long-term foreign currency loans from multilateral agencies such as the World Bank and the Asian Development Bank, with our performance under such loans guaranteed by the GoI.

The following table sets forth, by currency, our outstanding debt and the periods during which debt amounts mature or payment is otherwise due. Currency conversions are as at September 30, 2010:

(₹ in million)

Currency	September 30, 2010 – March 31, 2011	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15	Total
Rupees	6,534.3	14,242.9	17,124.2	20,510.2	22,810.2	162,549.8	243,771.6
US$	2,083.5	5,303.2	6,011.4	7,619.2	8,679.1	79,410.3	109,106.7
EUR	113.1	232.7	241.9	251.4	75.1	786.6	1,700.8
SEK	89.3	178.6	178.6	178.6	178.6	357.2	1,160.9
CHF	644.2	1,288.5	1,268.5	644.2	-	-	3,865.4
JPY	49.5	99.1	99.1	99.1	99.1	1,189.0	1,634.9

Secured Loans

Our secured loans as at March 31, 2009 and 2010, were ₹ 252,882.5 million and ₹ 313,457.8 million, respectively. Our secured loans as at September 30, 2010 were ₹ 336,568.7 million. Secured loans include amounts raised from the private placement of bonds, term loans from banks, loans from the International Bank for Reconstruction and Development, Asian Development Bank and Bank of India and others. Due to our increased investment in new projects during the last year, our borrowings have increased substantially.

Most of our secured loans have been secured by floating charges on the moveable and immoveable properties of the Company.

The following table presents our secured debt as at September 30, 2010:

(₹ in million)

	Amount	% of total secured debt
Bonds denominated in Rupees	235,367.2	69.9
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency [(1)]	92,997.2	27.6
Denominated in Rupees	8,204.3	2.5
Other Loans and Advances	-	-
Total	**336,568.7**	**100.0**

(1) Loans guaranteed by the Government were ₹ 90,007.7million.

Unsecured Loans

Our unsecured loans as at March 31, 2009 and 2010, respectively, were ₹ 31,771.8 million and ₹ 30,710.1 million. Our unsecured loans as at September 30, 2010 were ₹ 29,671.5 million. Unsecured loans mainly include loans from foreign financial institutions such as the European Development Bank, Kreditanstalt für Wiederaufbau in Germany and SEB Enskilda Bank in Scandinavia, World Bank and Asian Development Bank term loans from the Power Finance Corporation and short term loans from banks.

The following table presents our unsecured debt as at September 30, 2010:

(₹ in million)

	Amount	% of total unsecured debt
Bonds denominated in Rupees	-	-

	Amount	% of total unsecured debt
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency [1]	24,471.5	82.5
Denominated in Rupees	5,200.0	17.5
Total	**29,671.5**	**100.0**

[1] Loans guaranteed by the Government were ₹ 3,381.0 million.

Advance Against Depreciation

Advance against depreciation was a component of tariff that we were permitted to charge under the Fiscal 2005-2009 Regulations to cover shortfalls in respect of depreciation in a year on assets in order to cover our repayment of debts in respect of such assets. AAD was calculated assuming a 10-year loan repayment schedule. AAD was accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD was transferred to income on a pro-rata basis for the remaining useful life of the asset. Definition of useful life of the asset was governed by the Fiscal 2005-2009 Regulations.

AAD is no longer part of the tariff regulations in effect for Fiscal 2010-2014 and depreciation rates applicable to the Company have been revised in the Fiscal 2010-2014 Regulations. Due to this change of tariff norms, with effect from April 1, 2009, AAD has been taken to transmission income after 12 years from the year of commercial operation. The above income is recognised, being the lower of AAD outstanding and the difference between the depreciation charge in accounts and depreciation recovery through tariffs.

This change has resulted in an increase in transmission income and profit of ₹ 89.3 million for Fiscal 2010 and an increase in transmission income and profit of ₹ 19.5 million for the first half of Fiscal 2011. The increase for Fiscal 2010 was lower than that for the first half of Fiscal 2011 due to the difference in accounting policy.

Current Liabilities

Our current liabilities as at March 31, 2009 and 2010, respectively, were ₹ 61,233.7 million and ₹ 76,346.0 million. Our current liabilities as at September 30, 2010 were ₹ 78,828.7 million. Our current liabilities include sundry creditors, advances from customers, security deposits, retention money withheld by us, interest accrued but not yet due on loans and other liabilities.

Current liabilities were 24.7% higher at March 31, 2010 compared to March 31, 2009. The increase was partly due to liabilities to some of the beneficiaries on account of UI dues which have been accounted for on an accrual basis. Similar amounts have been accounted for as receivable from the beneficiaries and included under loans and advances. These fluctuations are also due to the commissioning of particular projects at different times of the year in different fiscal years. When projects are commissioned, the liabilities relating to them are capitalised. If commissioning occurs in the early part of a fiscal year, the related liabilities are usually paid before the end of the fiscal year. In fiscal years when current liabilities are higher, there tends to be more projects commissioned toward the end of the fiscal year, whose related liabilities have not been paid by the end of the fiscal year. Variations in the amounts of advances received under consultancy contracts also result in current liability fluctuations.

Contingent Liabilities

We had contingent liabilities in the following amounts, as disclosed in our unconsolidated, unaudited, limited review financial statements:

(₹ in million)

Particulars	As at September 30, 2010
Claim Against the company not acknowledged as debt[(1)]	
Arbitration / Court Cases	20,272.3
Land / Crop/Tree Compensation cases	11,032.4
Others	1,668.8
Disputed Tax Demands-Income Tax	719.4
Disputed Tax Demands-Others	201.2
Continuity Bonds with Custom Authorities	9,830.9
Others	228.7
Total	**43,953.7**

[(1)] *Refers to liabilities of the Company which is a possible obligation or a present obligation that probably will not require an outflow of resources.*

Contractual Obligations and Commercial Commitments

As at September 30, 2010, our contractual obligations and commercial commitments consisted principally of the following, classified by maturity:

(₹ in million)

	As at September 30, 2010 Payment Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3 -5 years**	**More than 5 years**
Term Loans	125,873.0	4,552.6	18,547.6	19,688	82,482.4
Working Capital Loans	5,000.0	5,000.0	-	-	-

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is ₹ 209,521 million as at March 31, 2010.

Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Rates

While our principal revenues are in Rupees, we have borrowed funds from outside India in foreign currencies, principally U.S. Dollars, Euros, Swiss Francs, Swedish Kroner and Japanese Yen. Principal and interest payments on these borrowings are denominated in the respective foreign currencies. As at September 30, 2010, we had ₹117,468.7 million equivalent of foreign currency borrowings outstanding.

Under the tariff regulations for Fiscal 2010-2014 in respect of our transmission business, we may recover the cost of hedging interest on and repayment of foreign currency loans and exchange rate fluctuations for unhedged interest on and repayment of foreign currency loans on a normative basis. If hedging of foreign exchange exposure is not undertaken, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year is permissible provided it is not attributable to its suppliers or contractors. In respect of our telecom business, losses from foreign exchange fluctuations are not “pass through/recoverable”. For our telecom business, we have taken a loan from the World Bank totalling US$ 63.8 million, which has not been hedged.

Interest Rates

Under the current tariff regulations, interest costs are recoverable through our tariffs. To the extent we incur debt with variable interest rates, we may be exposed to increased/decreased interest costs which are also reimbursed/passed by/to our customers.

As at September 30, 2010, 67.5% of our long term borrowings are fixed interest rate borrowings. We currently do not undertake any hedging against interest rate fluctuation. We are subject to risks arising from changes in interest with respect to interest on working capital. Recovery of interest on working capital is based on norms fixed by CERC. If interest rates on working capital loans were to rise, we might be unable to recover a portion of the increase in interest costs through our tariffs.

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2010 THAT MAY AFFECT THE FUTURE OF OUR OPERATIONS

Since September 30, 2010, the following significant events have occurred. We anticipate that these events will have an impact on the presentation of our financials and may have an impact of the financial condition and results of operations in future periods:

- Our wholly-owned subsidiary, Power System Operation Corporation Limited, was established in March 2009 to oversee the grid management function of our operations and commenced operations in March 2010. We are in the process of transferring the movable assets of our power system operations segment to our subsidiary and we anticipate that such transfer will be effective as of October 1, 2010. Once the transfer of these assets is complete, our Subsidiary will have material assets and will undertake material transactions.

  As such, for Fiscal 2011 and going forward the Company will prepare consolidated financial statements, with the Company being treated as the accounting and legal parent and Power System Operation Corporation Limited being treated as the accounting and legal subsidiary. This means the future consolidated results of operations of the Company will comprise those of Power System Operation Corporation Limited along with the Company's interests in other subsidiary undertakings, associated undertakings and joint ventures.

- Our Company has completed the issuance of 8.84% (taxable) non-cumulative, non convertible secured redeemable bonds in the aggregate principal amount of ₹ 34,875.0 million on a private placement basis on October 21, 2010. The bonds are proposed to be listed on the Wholesale Debt Market of the NSE and have received a credit rating of 'AAA' grade by CRISIL, 'LAAA' by ICRA and 'AAA' by CARE. For details, see "***Financial Indebtedness***" on page 282.

ANALYSIS OF CERTAIN CHANGES

Unusual or infrequent events or transaction

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years.

Significant economic changes

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "–***Factors Affecting our Results of Operations***" and the uncertainties described in "***Risk Factors***" on page xiv. To our knowledge, except as we have described in this Red Herring Prospectus, there are no known factors which we expect to bring about significant economic changes.

Known trends or uncertainties

Our business has been affected, and we expect to continue to be affected, by the trends identified above in "–***Factors Affecting our Results of Operations***" and the uncertainties described in "***Risk Factors***" on page xiv. To the best of our knowledge and belief, except as we have described in this Red Herring Prospectus, there are no known factors which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between expenditure and revenues

Except as described in "***Risk Factors***", "***Our Business***" and this section, to the best of our knowledge and belief there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Increase in our revenue

We anticipate commissioning additional transmission lines and substation facilities which will add to our capacity and to our ability to generate revenue. See "***Our Business***" on page 82.

Significant regulatory changes

Except as described in "***Regulations and Policies in India***" on page 118 there have been no significant regulatory changes that we expect could affect our income from continuing operations.

New products or business segments

We shall seek to explore other business opportunities, which allow us to leverage on our transmission business.

Seasonality of business

Our income is not subject to significant seasonality.

Dependence on few customers

As described above, we derive our revenues primarily from the transmission of power from generators to state electricity boards and other entities. These customers are few in number. See "***Risk Factors***" on page xiv.

Competitive conditions

We expect to face the competitive conditions described in "***Our Business – Competition***" and in "***Risk Factors***" on pages 116 and xiv, respectively.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our Company's significant outstanding secured borrowings of approximately ₹ 336,568.7 million and unsecured borrowings of approximately ₹ 29,671.5 million, as on September 30, 2010, together with a brief description of certain significant terms of such financing arrangements.

A. Domestic Secured Borrowings

The total outstanding amount with respect to our domestic secured borrowings (other than bonds issuances) is approximately ₹ 8,204.4 million, as on September 30, 2010. The details of these facilities are set forth below.

(₹ in million)

S. No.	Name of lender	Facility	Amount Outstanding (as on September 30, 2010)	Interest Rate	Repayment Schedule	Security
1.	Indian Overseas Bank[1]	Term loan of ₹ 1,000.0 million through loan agreement dated February 11, 1999	300.0	Prime lending rate less 2.60% presently 9.78% *per annum* (as payable on quarterly basis)	Repayable in ten annual equal annual instalments commencing February 11, 2004	Floating charge on the fixed assets of our Company to the extent of 1.25 times of the outstanding loan
2.	Corporation Bank	Term loan of ₹ 1,000.0 million through agreement dated March 4, 1999	300.0	Prime lending rate less 2.00% presently 10.00% *per annum* (as payable on quarterly basis)	Repayable within 10 years in equal half yearly instalments of ₹ 50.0 million each after an initial moratorium of five years	Floating charge on all the fixed assets of our Company
3.	Punjab National Bank	Term loan of ₹ 2,000.0 million through agreement dated March 30, 1999	600.0	Prime lending rate less 2.10% presently 9.65% *per annum* (as payable on quarterly basis)	Repayable in 10 equal annual instalments of ₹ 200.0 million each commencing from March 30, 2004 until March 30, 2013	Floating charge on fixed assets of our Company to the extent of 1.25 times of the outstanding loan
4.	ICICI Bank Limited	Term loan of ₹ 1,500.0 million through agreement dated June 27, 2000	300.0	Fixed rate of 7.32% *per annum*	Repayable in 10 equal annual instalments after an initial moratorium period of three years	First charge/security interest on our movable assets and transmission lines/sub-stations, both present and future, subject to a

[1] Under the terms of the loan agreement dated February 11, 1999, prior written consent of the Indian Overseas Bank is required for any change in the capital structure of our Company. In this regard, we have obtained the requisite written consent from the Indian Overseas Bank by its letter dated October 12, 2010, for the change in our capital structure pursuant to the Issue.

S. No.	Name of lender	Facility	Amount Outstanding (as on September 30, 2010)	Interest Rate	Repayment Schedule	Security
						minimum coverage of 1.5 times.
5.	Punjab National Bank	Term loan of ₹ 3,000.0 million through agreement dated March 8, 2002	1,500.0	Prime lending rate less 2.15% presently 9.60% *per annum* (as payable on quarterly basis)	Repayable in 12 equal annual instalments of ₹ 250.0 million, commencing after a moratorium of three years	Floating charge on fixed assets of our Company to the extent of 1.1 times of the outstanding loan
6.	Oriental Bank of Commerce	Term loan of ₹ 2,500.0 million through agreement dated March 22, 2002	1,250.0	2.40% below the prime term lending rate presently 10.10% *per annum* (as payable on quarterly basis)	Repayable in 12 equal annual instalments commencing after a moratorium period of three years	Floating charge on the fixed assets of our Company to the extent of 1.1 times of the outstanding loan
7.	Life Insurance Corporation of India	Term loan of ₹ 8,849.7 million through agreement dated October 14, 2003	3,657.8	Fixed rate of 6.30% *per annum*	Repayable in 12 annual instalments commencing from March 31, 2004 as per amortization schedule	Floating charge on all the fixed assets of our Company, both present and future, subject to a minimum asset cover of 1.10 times of the outstanding loan
8.	Life Insurance Corporation of India	Term loan of ₹ 493.2 million through agreement dated August 31, 2007	296.6	Fixed rate of 10.00% *per annum*	Repayable in 10 annual instalments commencing from March 31, 2008 as per amortization schedule	Floating charge on the entire fixed assets of our Company, whether present or future, subject to a minimum asset cover of 1.1 times of the amount of the outstanding loan

Our financing arrangements contain various restrictive covenants, including an option entitling the lenders to recall the entire loan outstanding together with interest and other charges if (a) we default in payment of an instalment or interest, (b) we fail to create security for the loan within the period prescribed, (c) we contravene the terms of the loan agreement and (d) in such other circumstances as the lender may deem fit and proper. The loan agreements require our Company to furnish additional security in the event of inadequacy of the security cover provided. The lenders will have a right to review the rate of interest in specified intervals and in the event of a downgrade in rating from 'AAA' provided by CRISIL and ICRA, the lender will have a right to increase the interest rate by 25 basis points for each level below AAA. Further, the lenders reserve the right to recall the loan if the rating of our Company falls below investment grade, i.e., 'BBB' rating. Under the terms of certain loan agreements, our Company is required to remain public company with GoI shareholding being 51.0% at all times. Certain lenders have the liberty to stop making advances at any time on providing notice and reasons for the same even though the term loan limit has not been fully availed of. Additionally, under certain of our loan agreements, we are required not to declare any dividends if there is a default under the respective loan agreement or unless our Company has paid all the dues to the lender up to the date of which the dividend is declared or paid or has made satisfactory provisions thereof. Further, under certain loan agreements, we would be in default of the agreement, if any of our lenders have recalled any of their loans. In such an event, the lender will have the rights, amongst other things, to immediately demand repayment the entire outstanding loan amount by our Company. Under the terms of certain financing arrangements, typically, our Company has undertaken not to do any of the following without the prior consent of the lenders/facility agent or guarantor, as may be applicable, including, *inter alia*:

(i) for undertaking any restructuring of our Company;

(ii) any prepayment of the principal amount of the loan, which may be granted conditionally without premium provided that 60 days notice is given to the lender;

(iii) create any mortgage or charge on any of the secured property or assets; or

(iv) assign or transfer all or any of its rights, benefits or obligations under the loan agreement.

B. Domestic Unsecured Borrowings

The total outstanding amount with respect to our domestic unsecured facilities is approximately ₹ 5,200.0 million as on September 30, 2010. The details of these facilities are set forth below.

(₹ in million)

S. No.	Name of lender	Facility	Amount Outstanding (as on September 30, 2010)	Interest Rate	Repayment Schedule
1.	PFC	Term loan of ₹ 1,000.0 million through memorandum of agreement dated March 29, 2001	200.0	Fixed rate of 9.5% *per annum*	Repayable in 40 equal quarterly instalments. The first instalment became due on October 15, 2002
2.	Bank of Baroda	Short-term loan of ₹ 5,000.0 million towards working capital requirements through sanction letter dated March 23, 2009	5,000.0	7.75% *per annum*, that is 4.75% below BPLR of 12.50%	Repayable after completion of a period of one year from the date of first drawl in March 2010

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

Additionally, under the memorandum of agreement with PFC, we are required to maintain certain financial covenants being the following: (a) the tangible net worth of our Company at all times should be above the specified levels for the year ended March 31, 2000, (b) the ratio of the total borrowings to net worth should be below 2.0, and (c) the ratio of EBITDA to interest expenses should at no time be less than 1.75. We are required to obtain the prior written consent of the lender, before undertaking any reduction in equity capital resulting in the reduction of our net worth below the level existing on March 31, 2000 on account of any restructuring. In addition, as per the terms of the memorandum of agreement with PFC, the decision of PFC will be considered final and binding as to whether a breach of the terms of the agreement has been committed by our Company.

Further, under the loan agreement with PFC, our Company agreed not to transfer or abandon the execution of power evacuation project from the Tehri Hydroelectric project through the Tehri-Meerut 800 KV S/c lines for which the loan was availed of without the prior written consent of the lender. In the event that the project is required to be transferred or abandoned the entire outstanding amount will be paid to the lender prior to the transfer or abandonment.

C. Secured Foreign Currency Borrowings

The total outstanding amount with respect to our foreign currency secured borrowings is approximately ₹ 92,997.2 million as of September 30, 2010. The details of these facilities are set forth below.

(₹ in million)

S. No.	Lender	Facility	Repayment	Amount Outstanding (as on September 30, 2010)	Interest Rate	Security
1.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 350.0 million through agreement dated March 23, 1993.	Repayment in 30 semi annual instalments starting from December 1, 1998. There are also specified premia on prepayment.	3,427.2	Cost of qualified borrowings in preceding semester plus 0.50% presently 7.34%	Secured by equitable mortgage of the immoveable properties and hypothecation of moveable properties of the Vindhyachal and Rihand transmission system.
2.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 450.0 million through agreement dated June 13, 2001.	Repayment in 30 semi annual instalments starting from December 15, 2006.	16,374.8	LIBOR base rate plus LIBOR total spread presently 0.93%	Secured by *pari passu* interest in the liens created on its assets as security for the debt.
3.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 400.0 million through agreement dated May 2, 2006.	Repayment in 30 semi annual instalments starting from September 15, 2011.	17,938.6	LIBOR base rate plus LIBOR total spread presently 0.62 %	Secured by *pari passu* interest in the liens created on its assets as security for the debt.
4.	Asian Development Bank	Facility of US$ 275.0 million through agreement dated July 18, 1996	Repayment in 32 semi annual instalments starting from June 1, 2000.	4,623.1	Rate of interest is as per ordinary operations loan regulations of ADB which is currently 4.14%	Secured by *pari passu* interest in the liens created on assets of our Company for the debt.
5.	Asian Development	Facility of US$ 250.0	Repayment in 30 semi annual	9,567.2	Rate of interest is as per	Secured by *pari passu* interest in

S. No.	Lender	Facility	Repayment	Amount Outstanding (as on September 30, 2010)	Interest Rate	Security
	Bank	million through agreement dated December 4, 2000 and restated agreement dated July 17, 2002	instalments starting from June 15, 2006.		ordinary operations loan regulations of ADB which is currently 0.86613%	the liens created on assets of our Company for the debt.
6.	Asian Development Bank	Facility of US$ 400.0 million through agreement dated November 3, 2005	Repayment in 30 semi annual instalments starting from January 15, 2010.	16,146.4	LIBOR + 0.6 % which is currently 0.85313%	Secured by *pari passu* interest in the liens created on assets of our Company for the debt.
7.	Bank of India, Cayman Islands	Facility of US$ 100.0 million through agreement dated May 28, 1999	Repayment in 38 equal consecutive half-yearly instalments starting from June 10, 2004	2,989.5	LIBOR + 1.60% which is currently 2.30% (on weighted average basis of six different tranches under which the loan has been drawn)	Floating charge on immovable properties of our Company.
8.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 600.0 million through agreement dated March 28, 2008.	Repayment in 30 semi annual instalments starting from November 15, 2013. There are also specified premia on prepayment.	21,930.4	The interest payable by our Company to IBRD for each Interest Period[2] will be at a rate equal to LIBOR for the loan currency plus the Variable Spread[3] which is currently 0.66%	Secured by *pari passu* interest in the liens created on the assets as security for the debt.

Some of the salient features of the financing arrangements described above are as follows:

[2] 'Interest Period' is defined under the *General Conditions for Loans*, International Bank for Reconstruction and Development, dated July 1, 2005, to be the initial period from and including the date of the loan agreement but excluding the first payment date occurring thereafter, and after the initial period, each period from and including a payment date but excluding the next following payment date.
[3] 'Variable Spread' is defined under the *General Conditions for Loans*, International Bank for Reconstruction and Development, dated July 1, 2005, to be, for each interest period: (1) the bank's standard variable spread for loans in effect at 12:01 a.m. Washington D.C. time, one calendar day prior to the date of the loan agreement; (2) minus (or plus) the weighted average margin, for the Interest Period, below (or above) LIBOR, or other reference rates, for six month deposits, in respect of the bank's outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread, as reasonably determined by the bank and expressed as a percentage per annum.

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

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

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

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

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

(iv) Our Company is required to promptly inform the lender in advance of any proposed changes in ownership or control of our Company or its assets or any transaction or arrangement likely to have such effect.

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

(vi) There are certain restrictions on our Company entering generation and power trading operations without an agreement with the lender except under certain stipulated conditions.

(vii) There are certain restrictions with respect to the composition of our Board, including the number of Directors appointed by the GoI and non-government appointments on our Board.

(viii) Our Company is required to obtain the consent of the lender for creating any subsidiary.

(ix) Our Company is required to maintain a self financing ratio of 20% or more of the annual average of our Company's capital expenditure incurred during the previous and following Fiscal and cannot without the prior permission of the lender exceed this ratio.

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

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

(xii) Our Company is required to take steps to maintain its account receivables at a level not exceeding an amount equivalent to proceeds of its transmission and other regulated services for certain preceding months.

(xiii) The lender may suspend, in whole or in part, the right of our Company to make withdrawals for the loans in certain events, including: (i) payment failure, (ii) performance failure, (iii) fraud and corruption, (iv) cross suspension, (v) extraordinary situation, (vi) event prior to effectiveness, (vii) misrepresentation, (viii) co-financing with respect to the project, (ix) assignment of obligations or disposition of assets, (x) suspension of membership of the Member Country, (xi) material adverse change in the condition of our Company or project implementing authority, (xi) ineligibility, and (xii) additional adverse events.

(xiv) The lender may cancel, in whole or in part, the right of our Company to make withdrawals for the remaining loans in certain events, including: (i) suspension, (ii) amounts not required, (iii) fraud and corruption, (iv) mis-procurement, (v) unwithdrawn loan balance after the relevant closing date, and (vi) cancellation of guarantee.

(xv) The lender may accelerate the repayment of the loans availed of in certain events, including: (i) payment default, (ii) performance default, (iii) co-financing with respect to the project, (iv) assignment of obligations or disposition of assets, (v) material adverse change in the condition of our Company or project implementing authority, and (vi) additional adverse events.

(xvi) The GoI has given a guarantee under the terms of certain guarantee agreements between the GoI, our Company and the lender, by which the GoI has given an unconditional guarantee, as primary obligor and not merely as a surety, towards the due and punctual payment of all loan payments payable by our Company pursuant to the loan agreement, and the punctual performance of all other obligations of our Company provided in the loan agreement.

D. Unsecured Foreign Currency Borrowings

The total outstanding amount with respect to our foreign currency unsecured borrowings is approximately ₹ 24,471.5 million as of September 30, 2010. The details of these facilities are set forth below.

(₹ in million)

S. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (as on September 30, 2010)	Interest Rate
1.	The Overseas Economic Cooperation Fund	Facility of Japanese Yen 8,497.0 million through agreement dated February 25, 1997	41 semi annual instalments beginning February 20, 2007.	1,634.9	2.3% *per annum* on the principal disbursed and outstanding
2.	Credit National (now known as Natixis) acting on behalf of the French Government	Facility of Euros 26.3 million through agreement dated March 11, 1994	Semi annual instalments for each tranche starting September 30, 2004.	1,124.5	2% *per annum*
3.	European	Facility of Euros	Repayment in 26	621.6	5.75% *per annum*

S. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (as on September 30, 2010)	Interest Rate
	Investment Bank	55.0 million through agreement dated December 17, 1993	semi annual instalments commencing on June 15, 2001		
4.	KfW, Germany	Facility of CHF 300.0 million (comprising CHF 248.4 and CHF 51.6) through agreements dated March 15, 2000	Repayment in 20 consecutive semi annual instalments starting from March 31, 2004	3,865.4	3.56% *per annum*
5.	Skandinaviska Enskilda Banken	Facility of SEK 345.0 million through an agreement dated September 26, 2002	24 semi-annual consecutive instalments commencing from September 15, 2005.	1,160.9	Our Company has an option to pay interest either for each interest period relating thereto at a floating rate to be STIBOR applicable to such advance, or at the agreed fixed rate applicable for the credit facility
6.	Asian Development Bank	Facility of US$ 400.0 million through agreement dated March 28, 2008	Repayment in 40 semi annual installments commencing on May 15, 2013	3,922.6	LIBOR plus 0.60% less credit of 0.40% on the outstanding amount which is currently 0.54263%
7.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 400.0 million through agreement dated January 27, 2009.	Repayment in 52 semi annual installments starting from February 1, 2013. There are also specified premia on prepayment.	11,059.2	The interest payable by our Company to IBRD for each Interest Period[4] will be at a rate equal to LIBOR for the loan currency plus the Variable Spread[5] which is currently 0.76%
8.	International Bank for Reconstruction and Development (World Bank)	Facility of US$ 1,000.0 million through agreement dated October 13, 2009.	Repayment in 49 semi annual installments starting from January 15, 2015. There are also specified premia on prepayment.	724.8	The interest payable by our Company to IBRD for each Interest Period[6] will be at a rate equal to LIBOR for the loan currency plus the Variable Spread[7] which is currently

[4] See footnote no. 2.
[5] See footnote no. 3.
[6] See footnote no. 2.
[7] See footnote no. 3.

S. No.	Lender	Facility	Repayment and rate of interest	Amount Outstanding (as on September 30, 2010)	Interest Rate
					0.81%
9.	Asian Development Bank	Facility of US$ 200.0 million through agreement dated March 27, 2009.	Repayment in 40 semi annual installments starting from August 1, 2014. There are also specified premia on prepayment.	357.6	LIBOR plus 0.60% less credit of 0.40% on the outstanding amount which is currently 0.59769%

Some of the salient features of the financing arrangements described above are as follows:

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

(ii) Our Company is obligated not to modify contracts, directly or indirectly, if, by reason of their regulations which apply to the lenders, such modification would make their commitments impossible to be fulfilled or would change the substance or form of their commitments.

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

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

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

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

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

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

(ix) The lender is entitled to terminate the loan agreement and recall the loan amount if any event constituting an important reason under German law should occur, our Company makes default in payment under any commercial loan agreement, guarantee or any other documents related to borrowed money or any alteration in our Company's legal status, control, nature or scale of business.

The exchange rate at which the Foreign Currency Borrowing per US Dollar was converted into Indian Rupees was ₹ 45.44 as of September 30, 2010.

E. Secured Bonds

Our Company from time to time issues secured bonds on a private placement basis. The total amount outstanding in relation to bonds issued by our Company as on September 30, 2010 is approximately ₹ 235,367.3 million. The bonds are listed on the Wholesale Debt Market of the NSE and have received a credit rating of 'AAA' grade by CRISIL, 'LAAA' by ICRA and 'AAA' by CARE. As on September 30, 2010, bonds worth 30,702.95 million have been redeemed. The details of the outstanding bonds issued by our Company are set forth below:

(₹ in million)

S. No.	Nature of Bonds	Redemption	Amount Outstanding (as on September 30, 2010)	Security
1.	13.00% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 1,000.0 million allotted on December 6, 1997	Redeemable in 10 equal annual instalments commencing from December 6, 2002	200.0	Equitable mortgage of immoveable properties and hypothecation of movable properties pertaining to transmission lines and sub-stations associated within Gandhar transmission system stage-I.
2.	10.35% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 200.0 million allotted on April 27, 2000	Redeemable in 10 equal instalments commencing from April 27, 2005	80.0	Floating charge over the fixed assets of our Company
3.	12.25% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 5,765.0 million allotted on August 22, 2000	Redeemable in 10 equal annual instalments commencing from August 22, 2002	1,153.0	Mortgage of immovable property, measuring 219,689 square meters at Ambheti of Mouje Ambheti, Taluka Kaprada in Valsad District in the State of Gujarat ("**Gujarat Property**"). *Pari-passu* charge by hypothecation of assets pertaining to transmission lines and sub-stations associated within Hissar-Jaipur, Bawana-Bhiwani, Hissar-Bawana, Nallagarh-Hissar, Adullapur-Bawana, ICT I and ICT II transmission systems
4.	10.90% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 7,615.2 million allotted on June 21, 2001	Redeemable in 12 equal annual instalments commencing from June 21, 2004	3,173.0	Mortgage of Gujarat Property. *Pari-passu* charge by hypothecation of assets pertaining to transmission lines and sub-stations associated within CTP – I, Farakka and Chamera- Moga transmission systems
5.	9.80% (taxable) non-	Redeemable in 12	3,167.5	Mortgage of Gujarat Property.

S. No.	Nature of Bonds	Redemption	Amount Outstanding (as on September 30, 2010)	Security
	cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 5,430.0 million allotted on December 7, 2001	equal annual instalments commencing from December 7, 2005		*Pari-passu* charge by hypothecation of assets pertaining to transmission lines and sub-stations associated within Anta Auriya, Moga-Bhiwani, Chamera-Kishanpur, Sasaram-Allahabad, Line In Line Out ("**LILO**") of Singrauli, Kanpur and Allahabad Sub-station
6.	9.70% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 1,845.0 million allotted on March 28, 2002	Redeemable in 12 equal annual instalments commencing from March 28, 2006.	1,076.3	Mortgage of Gujarat Property. *Pari-passu* charge by hypothecation of assets pertaining to transmission lines and sub-stations associated within Kayamkulam and Ramagundam Hyderabad transmission systems
7.	8.63% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 8,100.0 million allotted on July 31, 2002	Redeemable in 12 equal annual instalments commencing from July 31, 2006.	4,725.0	Mortgage of Gujarat Property. *Pari-passu* charge by hypothecation of assets pertaining to transmission lines and sub-stations associated within Kishanpur-Moga and Dulhasti transmission system
8.	6.10% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 6,990.0 million allotted on July 17, 2003	Redeemable in 12 equal annual instalments commencing from July 17, 2004.	2,912.5	Mortgage of Gujarat Property. Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount
9.	6.68% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 9,000.0 million allotted on February 23, 2004	Redeemable in 12 equal annual instalments commencing from February 23, 2008.	6,750.0	Mortgage of Gujarat Property. Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount
10.	7.10% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 7,500.0 million allotted on February 18, 2005	Redeemable in 10 equal annual instalments commencing from February 18, 2009.	6,000.0	Mortgage of Gujarat Property. Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount
11.	7.39% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 10,000.0 million	Redeemable in 10 equal annual instalments commencing from September 22, 2009.	8,000.0	Mortgage of Gujarat Property. Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount

S. No.	Nature of Bonds	Redemption	Amount Outstanding (as on September 30, 2010)	Security
	allotted on September 22, 2005			
12.	8.15% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 9,990.0 million allotted on March 9, 2006.	Redeemable in 12 equal annual instalments commencing from March 9, 2010	9,157.5	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
13.	9.25% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 4,950.0 million allotted on July 24, 2006.	Redeemable in 12 equal annual instalments commencing from July 24, 2010.	4,537.5	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
14.	8.93% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 15,000.0 million allotted on September 7, 2006	Redeemable in 12 equal annual instalments commencing from September 7, 2010.	13,750.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
15.	8.73% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 5,100.0 million allotted on October 11, 2006	Redeemable in 12 equal annual instalments commencing from October 11, 2010	5,100.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
16.	8.68% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 6,900.0 million allotted on December 7, 2006.	Redeemable in 12 equal annual instalments commencing from December 7, 2010.	6,900.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.

S. No.	Nature of Bonds	Redemption	Amount Outstanding (as on September 30, 2010)	Security
17.	9.25% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 3,075.0 million allotted on February 9, 2007	Redeemable in 12 equal annual instalments commencing from February 9, 2011.	3,075.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
18.	9.95% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 7,995.0 million allotted on March 26, 2007	Redeemable in 12 equal annual instalments commencing from March 26, 2011.	7,995.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
19.	10.10% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 10,650.0 million allotted on June 12, 2007	Redeemable in 12 equal annual instalments commencing from June 12, 2011.	10,650.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
20.	9.30% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 9,990.0 million allotted on March 7, 2008	Redeemable at par in 12 equal annual instalments commencing from March 7, 2012	9,990.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
21.	9.47% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 7,050.0 million allotted on March 31, 2008	Redeemable at par in 12 equal annual instalments commencing from March 31, 2012	7,050.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
22.	9.33% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 24,000.0 million allotted on December 15, 2008	Redeemable at par in 12 equal annual instalments commencing from December 15, 2012	24,000.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
23.	9.20% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 12,975.0 million	Redeemable at par in 12 equal annual instalments commencing from March 12, 2013	12,975.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.

S. No.	Nature of Bonds	Redemption	Amount Outstanding (as on September 30, 2010)	Security
	allotted on March 12, 2009			
24.	8.80% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 23,325.0 million allotted on September 29, 2009	Redeemable at par in 12 equal annual instalments commencing from September 29, 2013	23,325.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
25.	8.90% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 20,475.0 million allotted on February 25, 2010	Redeemable at par in 12 equal annual instalments commencing from February 25, 2014	20,475.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
26.	8.84% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 10,350.0 million allotted on March 29, 2010	Redeemable at par in 12 equal annual instalments commencing from March 29, 2014	10,350.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.
27.	8.64% (taxable) non-cumulative, non - convertible secured redeemable bonds in the nature of debentures of ₹ 28,800.0 million allotted on July 8, 2010	Redeemable at par in 12 equal annual instalments commencing from July 8, 2014	28,800.0	*Pari passu* charge over Gujarat Property Floating charge on the assets of our Company to the extent of 1.1 times of the outstanding amount.

The salient terms for the issuance of the bonds described above provide for the following:

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

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

(iii) With respect to certain bond issues, we will be in default of the trustee agreement if any winding-up petition has been admitted against our Company by any court.

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

(v) We are required to intimate the debenture trustees of the commencement of any proceedings directly affecting the mortgaged asset.

(vi) In certain bond issuances, the debenture trustees have the right to appoint nominee director on our Board in the event of two consecutive defaults in payments of interest to bond holders, such directors not being liable to retire by rotation.

(vii) The bond holders do not have similar rights available to equity shareholders.

(viii) The debenture trustee may with the consent of the bond holders (representing not less than three-fourths in value of nominal amounts outstanding or by resolution) raise or borrow money on security of the mortgaged assets.

In addition, our Company has completed the issuance of 8.84% (taxable) non-cumulative, non convertible secured redeemable bonds in the aggregate principal amount of ₹ 34,875.0 million on a private placement basis on October 21, 2010. The bonds are proposed to be listed on the Wholesale Debt Market of the NSE and have received a credit rating of 'AAA' grade by CRISIL, 'LAAA' by ICRA and 'AAA' by CARE. The details of the outstanding bonds issued by our Company on October 21, 2010 are set forth below:

Nature of Bonds	Redemption	Amount Outstanding (as on the date of this Red Herring Prospectus)*	Security
8.84% (taxable) non-cumulative, non convertible secured redeemable bonds in the nature of debentures of ₹ 34,875.0 million allotted on October 21, 2010	Redeemable in 12 equal annual instalments commencing from October 21, 2014.	₹ 34,875.0 million	*Pari passu* charge over Gujarat Property to be created Floating charge to be created on the assets of our Company to the extent of 1.1 times of the outstanding amount.

* *As certified by Ajay Agarwal & Co, Chartered Accountants by certificate dated October 21, 2010*

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

Our Equity Shares are listed on the Stock Exchanges with effect from October 5, 2007 with ISIN INE752E01010. As our Equity Shares are actively traded on the Stock Exchanges, our Company's stock market data have been given separately for BSE (**BSE Code: 532898**) and NSE (**NSE Code:** POWERGRID). There is no change in capital structure since the date of listing of shares of our Company i.e. October 5, 2007.

The high and low prices recorded on the Stock Exchanges for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

BSE

Year ending March 31	High (₹)	Date of High	Volume on date of high (no. of shares)	Low (₹)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (₹)#
2008*	167.5	November 19, 2007	89,56,975	80	January 22, 2008	11,343,289	126.5
2009	108.5	May 5, 2008	1,573,013	51.8	October 27, 2008	1,918,949	88.4
2010	128.4	June 5, 2009	2,791,121	88.5	April 8, 2009	2,366,074	108.4

Source: www.bseindia.com
** From October 5, 2007 to March 31, 2008*
# *Average computed based on the number of trading days during the year*

NSE

Year ending March 31	High (₹)	Date of High	Volume on date of high (no. of shares)	Low (₹)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (₹)#
2008*	167.5	November 19, 2007	22,903,160	79.0	January 22, 2008	33,050,094	126.5
2009	109.5	May 2, 2008	3,182,861	52	October 27, 2008	7,243,974	88.5
2010	130	May 20, 2009	6,021,350	89.5	April 8, 2009	9,499,978	108.4

Source: www.nseindia.com
**From October 5, 2007 to March 31, 2008*
Average computed based on the number of trading days during the year

The details relating to the high and low prices recorded on the Stock Exchanges for the six months preceding the date of filing of this Red Herring Prospectus, the volume of Equity Shares traded on the days the high and low prices were recorded, average price of our Equity Shares during each such month, the volume of Equity Shares traded during each month and the average number of Equity Shares traded during such trading days, are stated below:

BSE

Month	High (₹)	Date of High	Volume on date of high (no. of shares)	Low (₹)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹)#	Volume (no. of shares)	No. of Trading Days	Average no. of shares traded during trading days
September 2010	110.4	September 29, 2010	1,297,434	104.5	September 24, 2010	237,565	106.4	7,919,811	21	377,134
August 2010	110.8	August 31, 2010	782,857	98.5	August 5, 2010	156,245	102.9	10,136,866	22	460,767
July 2010	105.7	July 7, 2010	671,082	98	July 30, 2010	186,355	101.2	6,930,596	22	315,027
June 2010	120.2	June 16, 2010	112,162	101	June 25, 2010	121,380	103.1	4,018,301	22	182,650
May 2010	109.9	May 3, 2010	130,753	95	May 26, 2010	216,859	105.0	4,247,035	21	202,240
April 2010	114.5	April 27, 2010	826,559	106.3	April 1, 2010	150,902	109.2	8,256,416	20	412,821

Source: www.bseindia.com

Average computed based on the number of trading days during the year

NSE

Month	High (₹)	Date of High	Volume on date of high (no. of shares)	Low (₹)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹)#	Volume (no. of shares)	No. of Trading Days	Average no. of shares traded during trading days
September 2010	110.5	September 29, 2010	6,572,513	104.2	September 9, 2010	2,433,208	106.4	37,087,822	21	1,766,087
August 2010	110.8	August 31, 2010	4,079,072	98.5	August 5, 2010	848,645	102.9	42,127,284	22	1,914,877
July 2010	104.8	July 7, 2010	2,306,081	99.1	July 19, 2010	1,719,055	101.3	30,949,160	22	1,406,780
June 2010	106.2	June 4, 2010	411,056	100.9	June 25, 2010	940,975	103.1	18,735,974	22	851,635
May 2010	110.0	May 3, 2010	875,989	100.1	May 25, 2010	1,474,391	105.0	24,834,486	21	1,182,595
April 2010	120.5	April 28, 2010	5,059,017	106.5	April 19, 2010	1,123,397	109.4	36,700,531	20	1,835,027

Source: www.nseindia.com

Average computed based on the number of trading days during the year

The closing price was ₹ 102 on BSE on July 5, 2010, the trading day immediately following the day on which Board of Directors of our company approved the Issue, subject to the approval of GoI. The closing price was ₹ 102.1 on NSE on July 5, 2010, the trading day immediately following the day on which Board of Directors of our company approved the Issue, subject to the approval of GoI.

The closing price was ₹ 101.1 on BSE on July 28, 2010, the trading day immediately following the day on which GoI approved the Issue. The closing price was ₹ 101.3 on NSE on July 28, 2010, the trading day immediately following the day on which the GoI approved the Issue.

The details relating to the weekly high, low and closing prices recorded on the Stock Exchanges during the immediate previous four weeks is as under:

BSE

Week Ending	Closing (₹)	High (₹)	Date of High	Low (₹)	Date of Low
September 24, 2010	105.55	107.0	21-Sep-10	104.45	24-Sep-10
October 1, 2010	108.3	110.4	29-Sep-10	105.2	27-Sep-10
October 8, 2010	109.45	113.8	6-Oct-10	107.7	4-Oct-10
October 15, 2010	106.65	111.9	11-Oct-10	105.8	15-Oct-10

Source: www.bseindia.com

NSE

Week Ending	Closing (₹)	High (₹)	Date of High	Low (₹)	Date of Low
September 24, 2010	105.55	107.0	21-Sep-10	104.45	24-Sep-10
October 1, 2010	108.5	110.45	29-Sep-10	105.3	27-Sep-10
October 8, 2010	109.5	113.65	6-Oct-10	107.85	4-Oct-10
October 15, 2010	106.75	111.75	11-Oct-10	105.7	15-Oct-10

Source: www.nseindia.com

Note: In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Subsidiaries, our Directors and our Joint Ventures and there are no defaults, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in or dues payable to holders of any debentures, bonds and fixed deposits or arrears of preference shares issued by our Company, our Subsidiaries and our Joint Ventures, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and our Subsidiaries have no disciplinary action has been taken by the SEBI or any stock exchanges against our Company, our Subsidiaries or Joint Ventures and Directors.

The amounts involved in the proceedings described below have been disclosed, to the extent such claims are ascertainable.

Contingent liabilities not provided for

We have certain contingent liabilities not provided for in the following amounts, as disclosed in our unconsolidated audited financial statements for Fiscals 2009 and 2010 and the unconsolidated, unaudited, limited review financial statements for the six months ended September 30, 2010. For more information, see "***Financial Statements - Annexure XX - Statement of Contingent Liabilities***" on page 238.

I. Litigation against our Company:

Except as described below there is no pending litigation against our Company.

1. Criminal Cases

There are seven criminal cases pending against our Company or in which our employees are involved in an official capacity. The details of these cases are set forth below.

(i) The Labour Enforcement Officer ("**LEO**") filed a criminal complaint (No. 34 of 2009) before the Chief Judicial Magistrate, Muzafferpur, against Mr. K.K. Agarwal, executive director, Patna and Mr. Ajit Kumar, in-charge, Powergrid Station, Muzafferpur (collectively referred to as "accused persons") alleging breach of Rules 18(4), 74 and 81 (3) of the CLRA in relation to registration of the contract labour and non maintenance of the registers. The LEO had prayed for appropriate legal proceedings to be instituted against the accused persons along with imposition of fine.

(ii) Our chief manager Mr. G.C. Dhal filed a First Information Report ("**FIR**") dated April 26, 1999 in the Jaipatna police station for theft of certain materials from the campus of Indravati sub-station. The inquiry officer submitted a final report on December 17, 1999 before the Sub-Divisional Judicial Magistrate, Dharamgarh, mentioning that the case filed was false and prayed for an order to submit a prosecution report under section 211 of Code of Criminal Procedure, 1973, against Mr. Dhal for submitting a false report at the police station. The total claim against our Company is approximately ₹ 0.02 million.

(iii) The Inspector, Private Security Guards Board, filed a criminal complaint (No. 4842 of 2007) under clause 42 of the Maharashtra Private Security Guards (Regulation of Employment Amendment) Scheme, 2005 ("**Scheme**") before the Judicial Magistrate First Class, Thane, against deputy general managers Mr. S.J. Bhujade and Mr. O.H. Anand and our Company, alleging that our Company breached the Scheme by not registering with the Private Security Guards Board under the Scheme, and that our Company committed an offence under clause 131(c) of the Maharashtra Private Security Guards (Regulation of employment and welfare) Rules, 1981 read with section 3 of Maharashtra Private Security Guards Act, 1981 by employing private security guards without the consent of the Board of Directors. The Inspector, Private Security Guards Board, prayed for appropriate legal proceedings to be issued against the accused.

(iv) Mr. Surindra Kumar filed a criminal complaint (No. 131 of 2005) dated March 2, 2005 against Mr. P.S. Saini, Chief Manager, Bihar Shariff and others before the Chief Judicial Magistrate, Nalanda, alleging that Mr. Kumar was attacked with an intention to cause bodily harm during the meeting with the Chief Manager. It was further alleged that his money and personal belongings were forcefully taken away. Mr. Kumar prayed for appropriate legal proceedings to be instituted against the accused under sections 323 and 379 of the Indian Penal Code, 1860 ("**IPC**").

(v) Mr. Sayed Imtyaj Ahsan filed a criminal complaint (No. 112 of 2006) dated March 30, 2006 against Mr. N.K. Sharma, chief manager, Barh, Bihar, before the Additional Chief Judicial Magistrate, Barh, alleging the cutting of trees on his land without prior consent. Mr. Ahsan prayed for appropriate legal proceedings to be instituted against Mr. Sharma under sections 147, 379, 448 and 504 of the IPC.

(vi) The LEO filed a criminal complaint (No. 13 of 2009) dated October 13, 2009 before the Chief Judicial Magistrate, Bhabua, against Mr. M.C. Sahoo, deputy general manager, Pusauli, and Mr. K.K. Agarwal, executive director, Patna, (collectively referred to as "accused persons")alleging breach of Rules 18 (1), (3) and (4) and 74 of the CLRA in relation to registration of the contract labour and non-maintenance of registers. The LEO prayed for appropriate legal proceedings to be instituted against the accused persons, with imposition of fine.

(vii) The District Labour Officer ("**DLO**"), Bhubaneswar filed a criminal case (No. 306 of 1994) before the Sub-Divisional Judicial Magistrate, Bhubaneswar against our Company through the Deputy General Manager and others, alleging that our Company had violated section 17 A of the Industrial Disputes Act, 1947 ("**ID Act**") by failing to implement the Labour Court's order dated April 8, 1993 in case (No. 69 of 1992) to reinstate one of the workman with full back wages. The DLO had further prayed that our Company be tried and punished under section 29 of the ID Act. Our Company complied with the Labour Court's order by paying the entire amount to the workman and also reinstating him.

2. Public Interest Litigation

There are five public interest litigation ("**PIL**s") proceedings, the details of which are set forth below. The total claim against our Company in these proceedings is not ascertainable.

(i) Mr. Debesh Das filed a writ petition (No. 4437 of 2003) dated April 20, 2003 in the High Court of Orissa at Cuttack, against NTPC, the State of Odisha, Grid Corporation of Orissa Limited, our Company and others. NTPC by notice dated May 1, 2003 clarified that it would supply only 292 MW of power to Grid Corporation of Orissa

Limited out of its allocation of 630 MW due to the non-payment of dues by the latter. Mr. Das claimed that due to this regulation of NTPC, there would occur at least eight to 10 hours of power cut in the state of Odisha and that the decision to regulate power supply to Odisha was arbitrary and in violation of Article 14 of the Constitution of India and that the statutory rights of a bone fide electricity consumer of the state of Odisha would suffer. Further Mr. Das claimed that the accused must show cause as to why the decision by NTPC is not illegal and inoperative.

(ii) The People's Monitoring Group on Electricity Regulation filed a writ petition (No. 14845 of 2008) dated December 4, 2008 in the High Court of Andhra Pradesh against the Government of Andhra Pradesh and Transmission Corporation of Andhra Pradesh ("**AP Transco**"), On-Line Media Solutions Limited ("**OMSL**"), our Company and others (collectively referred to as "respondents"). The respondents had proposed to form a joint venture company to effectively utilize the transmission and distribution infrastructure of the three parties. The Government of Andhra Pradesh allowed the formation of this joint venture company by government order dated October 18, 2007 and furnished bank guarantee amounting to ₹ 45.0 million. The petitioner had prayed for declaring the action of the Government of Andhra Pradesh in insisting that APTransco go ahead with the formation of the joint venture with OMSL by issuing a government order as unconstitutional and consequently declaring choosing a third joint venture partner for the optic fiber based information infrastructure project be done afresh after setting aside the government order and the letter of intent dated July 5, 2002 issued by APTransco. Further, the People's Monitoring Group had alleged that the award of the project has not been effectuated by APTransco and it was apprehended that the same shall not be awarded until the case has been decided. The People's Monitoring Group had also alleged that the abovementioned bank guarantee submitted by OMSL in relation to the joint venture was forged. The High Court by interim order dated November 10, 2008 directed that any bank guarantees provided by OMSL during the trial will be subject to the result of the decision made in the abovementioned writ petition.

(iii) Mr. Anil Kumar filed a writ petition (No. 602 of 2008) in the High Court of Chhattisgarh against the Government of Chhattisgarh, the Chhattisgarh Pollution Control Board, South Eastern Coalfield Limited, GoI, our Company and others. Mr. Kumar alleged that the thermal power plant of Jindal Steel and Power Limited was disposing of hazardous wastes in open places and causing ecological degradation and that the accused, including our Company, acted in violation of the Hazardous Waste Management and Handling Amendment Rules, 2003 and the EPA.

(iv) The Western Ghats Environment Forum filed a writ petition (No. 9333 of 2009) in the High Court of Karnataka at Bangalore against the GoI, State of Karnataka, Karnataka Power Corporation, Swarna Energy Limited, our Company and others. The Western Ghats Environment Forum alleged that power projects in the Western Ghats in North Kanara district of Karnataka are endangering the fragile eco-system and bio-diversity of the region and prayed, among other things, that our Company be restrained from drawing transmission lines across the Western Ghats in the northern Kanara district in the future.

(v) The Vanasuma Foundation filed a writ petition (No. 10235 of 2006) in the High Court of Karnataka at Bangalore against the GoI, State of Karnataka and our Company alleging that transmission lines of our Company were detrimental to the big banyan tree in the vicinity, which is of historical value and that construction for laying the 400 KVA extra high tension wires is endangering the environmental and ecological balance around Ramohalli region. The Vanasuma Foundation prayed for an appropriate writ directing our Company to lay the transmission lines such that a minimum distance of one kilometer is maintained from the tree.

3. Environmental Litigation

We are required to make interim applications under writ petition (No. 202 of 1995) for erection of transmission lines in areas designated as sanctuaries or national parks. In addition to these interim applications filed by our Company in the ordinary course of our business, there are two cases relating to environmental matters currently pending against our Company. The total claim against our Company in these cases is not ascertainable.

(i) Mr. Jaya Prakash Dabral filed an interlocutory application (No. 819-821 of 2002) in the civil writ petition (No. 202 of 1995) in the Supreme Court of India (the "**Supreme Court**") alleging that our Company did not adopt the scientific system of route selection for setting up the transmission system from Tehri to Mator, resulting in environmental damage and that our Company violated MoEF guidelines framed under the Forest Conservation Act, 1980 in laying transmission lines. Mr. Dabral prayed for a direction to our Company to re-align the route of power transmission lines between Tehri and Rishikesh and to lay the transmission lines as per up to date technology to reduce environmental damage.

(ii) Mr. Ram Avtaar filed a civil suit (No. 152 of 1998) in the Civil Court challenging the sale of land by the gram panchayat to the forest department. Our Company was made a party to these proceeding since we have paid consideration for the disputed sale in lieu of compensatory afforestation. Our Company had contended that the abovementioned land was a common grazing ground and belonged to the gram panchayat which had rightly sold the land. The Civil Court passed an order dated June 9, 2005 in favour of Mr. Avtaar. Our Company filed a civil appeal (No. 35 of 2005) before the District Judge, Narnaul, who by order dated November 30, 2009 dismissed the appeal. Our Company filed a regular second appeal dated February 24, 2010 in the High Court of Punjab and Haryana.

4. Claims/Notices from Statutory Authorities

(i) The District Collector, Jalore by letter dated June 4, 2007 has demanded our Company to deposit a sum of ₹ 7.6 million for the allotment of land to establish our 400/200 KV Bhinmal sub-station. Our Company filed a reply dated April 22, 2010 stating that the nature of the land allotted is agricultural barani doyam land and therefore the demand for the sum of ₹ 7.6 million computed in terms of commercial land is arbitrary.

5. Taxation Disputes

<u>Income Tax Cases</u>

There are disputes relating to income tax assessments of fiscal 2001, 2002, 2003, 2004, 2005 and 2006, where the total initial claim against our Company is approximately ₹ 603.9 million. These disputes primarily pertain to the issues set forth below.

(a) **Advanced Against Depreciation ("AAD")**: The IT Department held that AAD is a part of tariff and was provided in the tariff policy to help the assessee in meeting long term repayment obligations. The effect of this provision is that tariff charges are increased to augment revenue for facilitating the loan payment. On this basis, the IT Department held that AAD is a revenue receipt and not a refundable advance.

Therefore, AAD does not constitute a liability that may be refunded. Hence, the receipt of the assessee cannot be reduced on account of tariff relating to AAD. Accordingly, the IT Department made additions to the income of our Company to the extent of the AAD claimed by our Company for the purpose of income tax assessment. However, our Company has paid the income tax to the IT Department and billed the same as tariff. As such there is no financial implication on our Company.

(b) **Prior Period Expenses ("PPE"):** The IT Department disallowed expenditure incurred in prior periods on the ground that as per the Companies Act, the profit and loss account has to reflect the expenses incurred only in the relevant fiscal. Accordingly, the IT Department made additions to the income of our Company to the extent of the expenditure claimed by our Company which was incurred in previous years.

(c) **Disallowance of expenditure for earning tax free income**: From fiscal 2002 to 2006, the IT Department disallowed expenditure for earning tax free income under section 14A of the Income Tax Act, 1961 ("**I. T. Act**"). On appeal by our Company before the Commissioner of Income Tax (Appeals), New Delhi ("**CIT(A)**"), the addition of tax liability made by the assessing officer was deleted. The IT Department has moved an appeal before the Income Tax Appellate Tribunal, New Delhi ("**ITAT**") against the order of the CIT(A).

The status of the disputes for various fiscals is set forth below.

(i) Fiscal 2001:

The IT Department disallowed prior period expenses and bond issue expenses in the normal assessment amounting to ₹ 336.1 million. The effect of the assessment order is to reduce the carry forward loss of the Company to the extent of ₹ 336.1 million. There is no tax implication on our Company on account of reduction in the carry forward loss. Our Company filed an appeal before the CIT(A). The CIT(A) by order dated August 13, 2004 partly allowed the appeal by allowing our Company to carry forward loss to the extent of ₹ 293.0 million. Therefore the tax liability on our Company amounts to ₹ 3.3 million. Our Company filed an appeal before the ITAT for carrying forward the remaining losses. The ITAT by order dated March 27, 2009 remanded the case to the assessing authority to re-decide the issue relating to the prior period expenses and bond issue expenses has already been claimed in five equal instalments during the remaining period.

(ii) Fiscal 2002:

The IT Department imposed a total tax liability of ₹ 186.1 million on the Company, which we paid and billed as tariff. Our Company filed an appeal against the Assessment Order before the CIT(A). The CIT(A) dismissed the appeal by an order dated March 17, 2006 against which our Company filed a further appeal before the ITAT. The ITAT by order dated March 27, 2009 imposed this tax liability on the Company. Our Company filed an appeal dated August 25, 2009 in the High Court of Delhi.

(iii) Fiscal 2003:

The IT Department imposed a total tax liability of ₹ 67.3 million on the Company, which we paid and billed as tariff. Our Company filed an appeal before the CIT(A).

The CIT(A) partly allowed the appeal and reduced our tax liability to ₹ 58.3 million by an order dated September 8, 2006, against which our Company filed an appeal before the ITAT. The ITAT by order dated March 27, 2009 imposed this tax liability on the Company. Our Company filed an appeal dated August 25, 2009 in the High Court of Delhi.

(iv) Fiscal 2004:

The IT Department imposed a total tax liability of ₹ 237.7 million on the Company. A refund of ₹ 180.0 million was adjusted against this amount under protest and the balance amount was paid by our Company. Our Company filed an appeal against the Assessment Order before the CIT(A). The CIT(A) by order dated March 14, 2007 partly allowed the appeal and reduced our tax liability from ₹ 237.7 million to ₹ 162.3 million against which our Company filed an appeal before the ITAT. The ITAT by order dated March 27, 2009 affirmed the order of the CIT dated March 14, 2007. Our Company filed an appeal dated August 25, 2009 in the High Court of Delhi.

(v) Fiscal 2005:

The IT Department imposed a total tax liability of ₹ 169.0 million by order dated December 28, 2007 under section 143(3) of the I. T. Act disallowed reduction of AAD, post-period expenses, post retirement medical benefit and proportionate expenses on exempt income from the book profits. Our Company filed an appeal (No. 59/CIT(A)XVII/Del/07-08) before the CIT(A). The CIT(A) by order dated January 8, 2009 partly allowed the appeal and reduced our tax liability from 190.50 million to 169.00 million. Our Company has filed an appeal (No. 812/Del/2009) dated February 23, 2009 before the ITAT.

(vi) Fiscal 2006:

The IT Department by order dated December 29, 2008 under section 143(3) of the I. T. Act disallowed reduction of AAD, post-period expenses, post retirement medical benefit and proportionate expenses on exempt income from the book profits. The effect of this will be a tax liability of ₹ 24.9 million on our Company. Our Company filed an appeal (No. 120/CIT(A)XVII/Del/08-09) before the CIT(A). The CIT(A) by order dated May 8, 2009 partly allowed the appeal and reduced ₹ 1,057.1 million from the taxable income of our Company. Our Company filed an appeal (No. 3553/Del/2009) before the ITAT.

(vii) (a) The Power Transmission Employees and Workers' Union and others filed a writ petition in the High Court of Calcutta (No. 5642 of 2002) against the Union of India and others including our CMD, Directors and other officers for a declaration that the 22nd amendment to the Income Tax Rules, 2001 is ultra vires to section 17 (2) of the I. T. Act, and praying for the issuance of a writ of mandamus directing our Company to withdraw its circular of December 21, 2001 that is analogous to the amendment regarding deduction of tax on perquisites provided by our Company. The petitioners prayed for a direction to refund the deducted sum to the employees as it is not a concession and hence not liable to tax. The High Court passed an interim order on March 27, 2002 to keep the amount if deducted in a separate account.

(b) The Power Transmission Employees and Workers' Union and others also filed a writ petition in the High Court of Calcutta (No. 20339 of 2007) against the Union of India and others including our CMD, Directors and other officers for a declaration that the explanation introduced by the Finance Act, 2007 under section 17(2)(ii) of the I. T. Act is ultra vires and violative of Article 14, 246(1) and 300(A) of the Constitution of India and Rule 3 of the I.T. Rules and praying for the issuance of a writ of mandamus directing our Company to not enforce and implement these provisions. Further, the High Court by its order dated May 24, 2002 directed the respondents to file an affidavit in opposition and the aforesaid order dated March 27, 2002 to continue until further orders. The High Court by its order dated September 26, 2007 directed our Company to refund the amount kept in the separate bank account from Fiscal 2002 under the order dated March 27, 2002 in the writ petition (No. 5642 of 2002).

Service Tax Cases:

There are seven service tax cases pending against the Company in various forums. The total claim against our Company is approximately ₹ 909.3 million, with interest. The details of the material cases and claims made against our Company are set forth below:

(i) The Commissioner, Central Excise, Shillong by show cause cum demand notice dated January 22, 2009 has demanded our Company to deposit a sum of ₹ 664.8 million towards the levy of service tax on business support service offered by the company by way of transmission of electricity. Our Company filed a reply dated June 24, 2009. The Commissioner has by order (No. 7 of 2009) dated November 23, 2009 directed the Company to pay the levied amount along with penalty. Our Company filed an appeal dated March 12, 2010 before the Customs, Excise and Service Tax Appellate Tribunal praying for stay on requirement of pre deposit of duty, interest and penalty. The MoF, through its order (2 of 2010) dated January 22, 2010 has assigned the matter to the Commissioner of Service Tax, Delhi. Meanwhile, MoF notification (11 of 2010) dated February 27, 2010 and notification (45 of 2010) dated July 20, 2010 transmission and distribution of electricity has been exempted from service tax.

(ii) Our Company has filed a writ petition dated August 20, 2009 against Union of India, Commissioner of Service Tax, Delhi and Central Board of Excise and Customs, Delhi before the High Court of Delhi. The writ petition is filed to set aside the show cause notice dated January 30, 2009 issued by the Commissioner of Service Tax, Delhi demanding our Company to show cause as to why service tax should not be levied on the service of transmission of electricity; and also to set aside the letter dated April 17, 2009 of the MoF holding that transmission of electricity is liable to service tax. However, the Committee of Disputes in its meeting held on January 21, 2010 declined permission to our Company to proceed with the writ petition stating that it is premature as the matter is yet to be adjudicated by the Commissioner of Service Tax, Delhi.

Other Tax Cases

There are 39 proceedings relating to tax and statutory charges, (exclusive of income tax and service tax described above) against our Company with an aggregate liability of approximately ₹ 1044.97 million, with interest. These proceedings relate to entry tax, sales tax, non-agricultural assessment tax, commercial tax, motor vehicle tax, stamp duty, royalty and turnover tax. The details of material cases are set forth below:

(i) The assessing authority, Jammu by his assessment orders under section 7(8) of the Jammu & Kashmir General Sales Tax Act, 1962 imposed turnover tax of ₹ 493.3 million including interest and penalty for fiscal 1989 to 2006. The assessment order mentions that our Company as a dealer registered under the Act allegedly concealed the purchase made by it and hence is liable to pay turnover tax on the concealed purchase. We paid an amount of ₹ 11.3 million in advance and have challenged the demand before the Sales Tax Appellate Tribunal, Jammu.

(ii) The commercial tax department served a notice on our Company pursuant to a notification dated February 10, 2004 issued by the government of Madhya Pradesh, demanding an explanation as to why we should not be assessed at the rate of 5% instead of 1%. Our Company filed a writ petition to challenge this notification in the High Court of Madhya Pradesh at Jabalpur (No. 14026 of 2006). Our liability for assessment years 2004-2005 to 2006-2007 and upto June 30, 2007, amounts to ₹ 406.3 million. The High Court by order dated May 15, 2008 confirmed the notification issued by the government. Our Company filed a special leave petition in the Supreme Court (No. 19026 of 2008) against the order passed by the High Court. The Supreme Court by interim order dated September 15, 2008 directed our Company to pay the principal amount without interest.

(iii) The MoF by letter dated August 13, 2002 advised our Company to repay the deemed export benefits with 24% interest, availed of by our Company in respect of supplies to Talcher-II transmission project and Sasaram HVDC project for the period before March 1, 2000. Our Company repaid the deemed export benefits excluding the interest amount. The need for repayment arose on account of withdrawal of the World Bank loan for this project. The withdrawal was revoked and loan was re-granted. Pursuant to this we applied for refund of the amount paid by our Company. The MoF by letter dated December 19, 2006 intimated our Company that necessary instructions were issued for expeditious disposal of our pending refund claims. Our Company has recovered deemed export benefits amounting to ₹ 113.4 million and the balance amounting to ₹ 1,986.5 million continues to be pending.

6. Contempt Cases

There are four contempt proceedings pending against our Company. The details of the proceedings are provided below. The total claim against our Company is not ascertainable.

(i) Mr. Gurbachan Singh filed a suit for injunction (No. 39 of 2007) in the Civil Court Junior Division, Khatima against our Company, praying for an injunction against the construction of a sub-station on the land belonging to him by our Company which was not legally acquired under section 4 of the Land Acquisition Act, 1984 ("**LA Act**"). The Civil Judge by order dated October 30, 2007 directed our Company to stop construction in the land. Our Company filed an appeal before the District Judge, Udham Singh Nagar, which was dismissed. Our Company filed a miscellaneous writ petition (No. 371 of 2008) in the High Court Nainital. Meanwhile, Mr. Gurbachan Singh filed an application (No. 4 of 2008, U/O-39 R-2A, CPC) on January 30, 2008 before the Civil Judge, Khatima, alleging that our Company knowingly breached the Civil Court's order by continuing with construction. The High Court by order dated April 21, 2008 vacated the stay order by the Civil Court, allowing our Company to resume construction subject to the payment of ₹ 3.0 million and directed that the acquisition proceeding be continued before the District Magistrate, Udham Singh Nagar. The acquisition proceedings were concluded by Special Land Acquisition Officer's ("**SLAO**") order dated September 9, 2009 by which an award of ₹ 23.7 million for 0.60 acres was passed. Our Company deposited the amount and filed an application before the Chief Revenue Commissioner, Uttaranchal, challenging the excessive valuation. The prayer was rejected by order dated June 19, 2010.

(ii) Mr. Kamaruddin Laskar filed a writ petition (No. 6514 of 2001) in the High Court, Guwahati against our Company, claiming appointment in our Company on compassionate grounds. The High Court by order dated January 31, 2007 directed our Company to consider the appointment of Mr. Kamaruddin Laskar as soon as possible. Our Company issued a detailed order on Mr. Laskar's representation, rejecting the appointment on specific grounds. Mr. Laskar filed a contempt petition (No. 446 of 2007) against our company in the High Court, Guwahati.

(iii) Mr. Prakash Biswas filed a writ petition (No. 2665 of 2003) in the High Court of Calcutta against our Company challenging the order dated July 5, 2002 of our Director (Personnel). The order held that Mr. Prakash Biswas was not entitled to E-4 pay scale on his absorption in our Company with effect from July 1, 1992. The High Court by order dated May 22, 2003 quashed the order dated July 5, 2002 of our Director (Personnel) and directed our Company to grant E-4 pay scale to Mr. Biswas, against which our Company filed an appeal (No. 5184 of 2003). Our Company filed a regular first miscellaneous appeal in the High Court of Calcutta (No. 101 of 2004). The High Court by order dated October 15, 2007 confirmed the High Court order dated May 22, 2003. Our Company filed a special leave petition in the Supreme Court (No. 4646 of 2008) challenging the High Court order. Mr. Biswas filed a contempt petition in the High Court of Calcutta (No. 1796 of 2003) against our Chairman and Managing Director and Director (Personnel) alleging non-compliance of the High Court's order dated May 22, 2003. The Supreme Court by order dated March 3, 2008 and the High Court of Calcutta by order dated March 27, 2009 has stayed the contempt proceeding until further orders.

(iv) Mr. Bansidhar Mahapatra and others, being security personnel on contractual basis, filed a writ petition (No. 13324 of 2000) in the High Court of Orissa against our Company, claiming absorption in our Company as regular employees and payment of the arrears in their salary. The High Court by interim order dated March 23, 2001(No. 3040/01) directed that in the event the contractors do not retain and pay the dues to the petitioner, our Company shall pay remaining dues and recover them from the contractors. The petitioners filed a contempt petition in the High Court of Orissa (No. 840 of 2001) dated December 21, 2001 alleging that our deputy general manager and the senior personal officer had not complied with the interim order dated March 23, 2001.

7. Land Acquisition Cases

There are 596 cases in various fora with respect to disputes concerning the acquisition of land acquired by our Company for the purpose of establishing various sub-stations across the country. These cases were initiated by the land oustees primarily for enhancement of the compensation determined by the Land Acquisition Officer (“**LAO**”) under the LA Act. These cases include 206 execution petitions that were filed by land oustees for disbursement of compensation awarded to them. The total claim against our Company is approximately ₹ 5993.1 million plus, with interest. The details of the land acquisition cases for our sub-stations are set forth below.

(i) <u>Kanpur sub-station</u>

There are four appeals in the High Court of Allahabad in relation to land measuring approximately 186 acres, acquired for our Kanpur sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which were referred to the District Court, Kanpur. Accordingly, the Additional District Judge issued directions for the enhancement of compensation payable to the land oustees, which aggregates to approximately ₹ 54.6 million. On an appeal filed by our Company, the High Court of Allahabad stayed the order of the Additional District Judge and directed our Company to pay 50% of the enhanced compensation and furnish security for the rest of the amount, which we have complied with.

(ii) Agra sub-station

There are two references in the District Court, Agra in relation to land measuring approximately 8.28 acres, acquired for our Agra sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which were referred to the District Court, Agra. The enhancement of compensation claimed is approximately ₹ 1.4 million.

(iii) Ballabhgarh sub-station

There are 13 appeals in the High Court of Punjab and Haryana, Chandigarh in relation to land measuring approximately 63 acres, acquired for our Ballabhgarh sub-station. The Land Acquisition Collector ("**LAC**") acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAC challenging the compensation awarded to them, which were referred to the District Court, Faridabad. Accordingly, the Additional District Judge, Faridabad enhanced the compensation payable to the land oustees. The land oustees have filed appeals in the High Court of Chandigarh against the order of the Additional District Judge, Faridabad for further enhancement of compensation. The total claim against our Company is approximately ₹ 78.6 million. Our Company filed counter appeals challenging the appeals for further enhancement of compensation. Further there are six appeals in the Supreme Court in relation to land measuring approximately 21 acres, acquired for our Ballabhgarh sub-station. Our Company filed these appeals challenging the order of dismissal from the High Court of Punjab and Haryana, Chandigarh. The total claim against our Company deposited with the Execution Court as per the Supreme Court order is ₹ 7.6 million.

(iv) Bassi sub-station

There are seven appeals in the High Court of Jaipur in relation to land measuring approximately 77.90 acres, acquired for our Bassi sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAO challenging the compensation awarded to them, which were referred to the District Court, Jaipur. Accordingly, the Civil Judge (Senior Division) enhanced the compensation payable to the land oustees which is approximately ₹ 0.7 million. On an appeal filed by our Company, the High Court of Jaipur has stayed the operation of the order the Civil Judge (Senior Division) to the extent of payment of interest and has issued directions for payment of full balance compensation as per the decree in the Execution Court. Our Company has complied with the directions of the High Court.

(v) Meerut sub-station

There are 173 appeals in the High Court of Allahabad in relation to land measuring approximately 185 acres, acquired for our Meerut sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which were referred to the District Court, Meerut. Accordingly, the Additional District Judge enhanced the compensation payable to the land oustees to a total of ₹ 136.1 million. On an appeal filed by our Company, the High Court of Allahabad has stayed the operation of the order the Additional District Judge. We have however been issued directions by the High Court to pay fifty percent of the enhanced compensation. Our Company has complied with the directions of the High Court.

(vi) Mandola sub-station

There are 61 appeals in the High Court of Allahabad and three references before the Additional District Judge, Ghaziabad in relation to land measuring approximately 106.88 acres, acquired for our Mandola sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which were referred to the District Court, Ghaziabad. Accordingly, the Additional District Judge enhanced the compensation payable to the land oustees in 61 cases. There are 3 cases of enhanced compensation before the Additional District Judge. The enhanced compensation aggregates to approximately ₹ 0.5 million. On an appeal filed by our Company, the High Court of Allahabad has stayed the operation of the order the Additional District Judge. We have however been issued directions by the High Court to pay fifty percent of the enhanced compensation. Our Company has complied with the directions of the High Court. Further the High Court has also passed an order enhancing the compensation for 27 cases pertaining to the same matter. Our Company filed a special leave petition in the Supreme Court after depositing the amount of ₹ 19.4 decreed by the High Court at the Execution Court.

(vii) Roorkee sub-station

There are 16 references before the Additional District Judge, Haridwar in relation to land admeasuring approximately 36.74 acres, acquired for our Roorkee sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which were referred to the District Court, Haridwar. The total claim against our Company is approximately ₹ 2,132.5 million.

(viii) Sitarganj sub-station

There is a reference before the Additional District Judge, Rudrapur in relation to land admeasuring approximately 6.83 acres, acquired for our Sitarganj sub-station. The SLAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the SLAO challenging the compensation awarded to them, which was referred to the District Court, Rudrapur. The enhancement of compensation claimed aggregates to approximately ₹ 143.5 million.

(ix) Khaileriate Sub-station (Shillong)

There is a reference before the Special Judicial Officer, Shillong in relation to land measuring approximately 6.02 acres, acquired for our Khaileriate sub-station. The Government of Meghalaya acquired the land on behalf of our Company under the LA Act and fixed ₹ 2.8 million as compensation to the land oustees, which we have paid. The land oustee filed a petition for referring the matter to the Reference Court for further enhancement of compensation. The Reference Court enhanced the compensation by ₹ 1.9 million, against which we went in appeal to the High Court of Guwahati, since we were not made a party to the reference. The High Court by order dated July 4, 2005 remanded the matter to the Reference Court with a direction to implead our Company as a party and give our Company a hearing. The enhanced compensation claimed against our Company is approximately ₹ 6.6 million.

(x) Kaithal sub-station

There are 8 appeals in the High Court of Punjab and Haryana in relation to land measuring approximately 49.74 acres, acquired for our Kaithal sub-station. The LAC acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were referred to the District Court. Accordingly, the Additional District Judge enhanced the compensation payable to the land oustees. Our Company filed six appeals against the orders of the Additional District Judge in the High Court of Punjab and Haryana, which directed our Company to deposit the amount with the District Court. Our Company has complied with the order of the High Court. The land oustees have also appealed against the orders of the Additional District Judge for further enhancement of compensation. The enhanced compensation claimed against our Company is approximately ₹ 10.2 million plus interest on the amount.

(xi) Abdullapur sub-station

There are 17 appeals in the Supreme Court in relation to land measuring approximately 54.53 acres, acquired for our Abdullapur sub-station. The LAC acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were referred to the District Court. The Additional District Judge issued directions for enhancement of compensation payable to the land oustees. Our Company filed appeals against the order of the Additional District Judge in the High Court of Punjab and Haryana, which directed our Company to deposit the amount with the District Court, which our Company has complied with. The land oustees also appealed against the orders of the Additional District Judge for further enhancement of compensation. The High Court enhanced the compensation payable by our Company to ₹ 6.9 million. Our Company filed a special leave petition in the Supreme Court.

(xii) Moga sub-station

There is an appeal in the High Court of Punjab and Haryana in relation to land measuring approximately 1.85 acres, acquired for our Moga sub-station. The LAC acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAC challenging the compensation awarded to them, which were referred to the District Court. The District Judge dismissed the demand for the enhanced compensation. The land oustees have appealed against the order of the District Judge in the High Court of Punjab and Haryana. The enhanced compensation claimed against our Company is approximately ₹ 4.1 million plus interest on the amount.

(xiii) Fatehabad sub-station

There are 13 appeals in the High Court of Punjab and Haryana in relation to land measuring approximately 38.33 acres, acquired for our Fatehabad sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the District Court, Fatehabad. The enhancement of compensation claimed aggregates to approximately ₹ 782.0 million.

(xiv) Purnea sub-station

There are 2 appeals in the High Court of Patna in relation to land measuring approximately 4.72 acres, acquired for our Purnea sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections challenging the compensation awarded to her, which was referred to the Land Acquisition Judge, Purnea who enhanced the compensation. The State of Bihar then filed an appeal against the order. The total claim against our Company is approximately ₹ 0.3 million.

(xv) Arah sub-station

There are 4 references before Sub-Judge, Arah in relation to land measuring approximately 0.25 acres, acquired for our Arah sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Sub-Judge, Arah. The total claim against our Company is approximately ₹ 9.9 million.

(xvi) Pusauli sub-station

There are 43 references before Sub Judge, Bhabua in relation to land measuring approximately 97.79 acres, acquired for our Pusauli sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Sub-Judge Bhabua. The total claim against our Company is approximately ₹ 22.5 million.

(xvii) Bhadrawati sub-station

There is a civil petition before the Civil Judge (Senior Division), Warora alleged that the Special LAO had illegally taken extra land measuring approximately 0.84 acres for our Bhadrawati sub-station without paying the required compensation. The total claim against our Company is approximately ₹ 3.7 million.

(xviii) Damoh sub-station

There is a suit for permanent injunction before the Additional District and Fast Track Court, Damoh in relation to land measuring approximately 16.37 acres, acquired for our Damoh sub-station. The LAO has acquired the land on behalf of our Company under the LA Act. The plaintiff prayed for a declaration and permanent injunction restraining our Company from carrying out construction at our sub-station. The Civil Judge passed an order dated April 8, 2009, against which the land oustees filed an appeal in the Additional District and Fast Track Court, Damoh (9 of 2009).

(xix) Jabalpur Sub-station

There is an appeal in the High Court of Madhya Pradesh, Jabalpur in relation to land measuring approximately 49.28 acres, acquired for our Jabalpur sub-station. The LAO acquired these lands for our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Jabalpur. Accordingly, the Additional District judge enhanced the compensation payable to the land oustees against which we have filed an appeal in the High Court of Madhya Pradesh at Jabalpur. The total claim against our Company in relation to these disputes is approximately ₹ 0.8 million. There is also an appeal in the District Judge, Jabalpur, for apportionment of compensation to the rightful owner.

(xx) Satna sub-station

There are three appeals in the High Court of Madhya Pradesh, Jabalpur in relation to land measuring approximately 5.97 acres, acquired for our Satna sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the District Judge, Satna. Accordingly, the District judge, Satna enhanced the compensation payable to the land oustees against which the land oustees have filed appeals in the High Court of Madhya Pradesh, Jabalpur for further enhancement of compensation. The total claim against our Company is approximately ₹ 3.4 million.

(xxi) Nagda sub-station

There are six appeals in the High Court of Madhya Pradesh, Indore bench and two references before the Additional District Judge, Nagda and Khachroad in relation to land measuring approximately 86.03 acres, acquired for our Nagda sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Khachroad. Accordingly, the Additional District judge enhanced the compensation payable to the land oustees against which the land oustees have filed appeals in the High Court of Madhya Pradesh, Indore bench for further enhancement of compensation. The total claim against our Company is approximately ₹ 4.8 million. The two references before the Additional District Judge are for correction of the revenue records.

(xxii) Khandwa sub-station

There is a reference before the Additional District Judge, Khandwa in relation to land measuring approximately 2.51 hectares, acquired for our Khandwa sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustee. The land oustee filed objection before the LAO challenging the compensation awarded to him, which was referred to the Additional District Judge, Khandwa. The total claim against our Company is approximately ₹ 1.8 million.

(xxiii) Shujalpur sub-station

There is an appeal before the Civil Judge, Class II Shujalpur in relation to land measuring approximately 30.81 acres, acquired for our Shujalpur sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustee. The land oustee filed objection before the LAO challenging the compensation awarded to him the land oustees then filed an appeal before the Civil Judge, Shujalpur against the order of the LAO. The total claim against our Company is approximately ₹ 0.03 million.

(xxiv) Seoni sub-station

There are 14 references before the Additional District Judge, Seoni in relation to land measuring approximately 41.81 acres, acquired for our Seoni sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Seoni. The total claim against our Company is approximately ₹ 20.6 million.

(xxv) Parli sub-station

There are 3 references before the Additional District Judge, Ambajogai in relation to land measuring approximately 39.02 acres, acquired for our Parli sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Ambajogai. The total claim against our Company is approximately ₹ 279.6 million.

(xxvi) Ludhiana sub-station

There are 10 references before the Additional District Judge, Ludhiana in relation to land measuring approximately 34.91 acres, acquired for our Ludhiana sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Ludhiana. The total claim against our Company is approximately ₹ 1,541.0 million plus interest. There is also a writ petition in the High Court of Punjab and Haryana. The petitioner has challenged the land acquisition for the Ludhiana sub-station.

(xxvii) Jalandhar sub-station

There are 20 appeals filed by our Company and 12 appeals filed by the land owners in the High Court of Punjab and Haryana in relation to land measuring approximately 57.6 acres, acquired for our Jalandhar sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Jalandhar. In accordance with the order passed by the Additional District Judge, Jalandhar, the compensation was deposited by our Company. Our Company filed appeals with the High Court of Punjab and Haryana. Simultaneously, the land oustees filed 12 cross-appeals claiming enhanced compensation. The total claim against our Company is approximately ₹ 152.0 million plus interest.

(xxviii) Amritsar sub-station

There are 10 references before the Additional District Judge, Taran Taran in relation to land measuring approximately 29.75 acres, acquired for our Amritsar sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Taran Taran. The total claim against our Company is approximately ₹ 77.3 million plus interest.

(xxix) Hisar sub-station

There are 23 appeals in the High Court of Punjab and Haryana in relation to land measuring approximately 132 acres, acquired for our Hisar sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Hisar. In accordance with the order passed by the Additional District Judge, Hisar, the compensation was deposited by our Company. The land oustees filed appeals in the High Court of Punjab and Haryana. The total claim against our Company is approximately ₹ 15.1 million plus interest.

(xxx) Bahadurgarh sub-station

There are 23 appeals in the High Court of Punjab and Haryana in relation to land measuring approximately 33.41 acres, acquired for our Bahadurgarh sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge, Bahadurgarh. In accordance with the order passed by the Additional District Judge, Bahadurgarh, the compensation of ₹ 43.4 million was deposited by our Company. Our Company filed appeals in the High Court of Punjab and Haryana.

(xxxi) Vijayawada sub-station

There are 44 appeals in the High Court of Andhra Pradesh in relation to land measuring approximately 101.9 acres, acquired for our Vijayawada sub-station. The LAO had acquired the abovementioned land on behalf of our Company under the LA

Act and fixed the rate of compensation payable to the land oustees. 44 objections were filed by the land oustees before the LAO challenging the compensation awarded to them, which were referred to the District Court, Vijayawada. Accordingly, the Additional Senior Civil Judge issued directions for the enhancement of compensation payable to the land oustees, which aggregates to an approximate amount of ₹ 9.7 million. On appeals filed by our Company, the High Court of Andhra Pradesh has stayed the execution of the orders of the Additional District Judge. We have however been issued directions by the High Court to pay one-third of the enhanced compensation, which we have complied with.

(xxxii) Hosur sub-station

There are six petitions in the Subordinate Court in relation to land measuring approximately 17.36 acres, acquired for our Hosur sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Sub Court, Hosur. The aggregate value of the claims against our Company is approximately ₹ 12.4 million.

(xxxiii) Trivandrum sub-station

There is a reference petition in the Subordinate Court in relation to land measuring approximately 0.26 acres, acquired for our Trivandrum sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Sub Court, Attingal. The aggregate value of the claims against our Company is approximately ₹ 0.40 million.

(xxxiv) Kochi sub-station

There are 46 appeals in the High Court of Kerala in relation to land measuring approximately 36.30 acres, acquired for our Kochi sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the District Court, North Paravur. In accordance with the order passed by the District Court, North Paravur the compensation of ₹ 32.0 million was deposited by our Company. The land oustees filed 38 appeals in the High Court challenging the order of the District Court. The aggregate value of the claims against our Company is approximately ₹ 430.9 million. Our Company filed 11 appeals in the High Court.

(xxxv) Kozhikode sub-station

There are 6 appeals in the High Court of Kerala in relation to land measuring approximately 11.50 acres, acquired for our Kozhikode sub-station. The LAO had acquired the abovementioned land on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Sub Judge, Manjeri. In accordance with the order passed by the Sub Judge, Manjeri, compensation of ₹ 3.6 million was deposited by our Company. Our Company filed appeals in the High Court of Kerala.

(xxxvi) Mysore sub-station

There are eight reference petitions in the District Court, Mysore and two writ petitions in the High Court of Karnataka in relation to land measuring approximately 68 acres, acquired for our Mysore sub-station. The LAO acquired these lands on the behalf of Karnataka Power Transmission Corporation Limited under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the District Court, Mysore. Our Company has by sale deed dated August 7, 2007 purchased the land from Karnataka Power Transmission Corporation Limited. Our Company has made applications in each reference petition to be impleaded as a necessary party since the disputed land is now registered in the name of our Company.

(xxxvii) Wagoora sub-station

There a case in the High Court of Jammu and Kashmir in relation to the land measuring approximately 64.32 acres, acquired for our Wagoora sub-station. The LAO acquired these lands on behalf of our Company under the LA Act and fixed the rate of compensation payable to the land oustees. The land oustees filed individual objections before the LAO challenging the compensation awarded to them, which were referred to the Additional District Judge. In accordance with the order passed by the Additional District Judge, compensation of ₹ 2.2 million was deposited by our Company. Our Company filed an appeal in the High Court. The High Court by order dated August 12, 2005 set aside the order of the Additional District Judge. The land owners filed an appeal in the High Court.

8. Compensation cases for displacement of trees, crops or houses

There are approximately 1,770 cases against our Company in various courts relating to enhancement of compensation claimed by owners of trees, crops or houses through which our transmission lines pass. These cases primarily relate to enhancement of the compensation for the loss of trees, crops or houses of the claimants. Of these cases, 575 and 627 cases were filed for enhancement of compensation in relation to Kutte-Kozhikode transmission line and Madurai-Trivandrum transmission line respectively in Kerala. These cases also include certain suits filed by individuals who were denied compensation on the ground that they did not have a valid title over the land, trees and crops through which our transmission lines pass. The total claim against our Company is approximately ₹ 3402.4 million, with interest.

9. Civil Suits

There are 204 civil suits in various courts against our Company. These suits primarily relate to suit for injunction, compensation (non quantifiable) for transmission lines passing through land, employment on compassionate ground, recovery of money and execution petitions. Further, there are eight consumer claims and two writ petitions, one for the acceptance of a horticulture contract bid and another for release of a public road occupied by our Company. The total claim against our Company is approximately ₹ 41.8 million, with interest. These suits include approximately 82 suits for injunction restraining establishment of the following transmission lines:

(i) Chamera-Jalandhar transmission line;
(ii) Parbati Amritsar transmission line;
(iii) Moga-Bhiwadi transmission line;
(iv) Abdullapur-Sonepat transmission line;

(v) Koldam-Nalagarh transmission line;
(vi) Jakhri-Nalagarh transmission line;
(vii) Jattikaln-Biwani-Moga transmission line;
(viii) Banala-Amritsar transmission line;
(ix) Sasaram-Ara-Khagaul transmission line;
(x) Mohania transmission line;
(xi) Khagaul-Fatuha transmission line;
(xii) Fatehpur-Agra transmission line;
(xiii) Rihand-Allahabad transmission line;
(xiv) Sipat-Seoni transmission line;
(xv) Gwalior-Agra transmission line;
(xvi) Veerpur-Damor-Bhopal transmission line;
(xvii) Dehgam-Pirana transmission line;
(xviii) Sasan-Satna transmission line;
(xix) Silwar-Satna transmission line;
(xx) Indore transmission line;
(xxi) Tarapur-Padghe transmission line;
(xxii) Korba-Raipur transmission line;
(xxiii) Bhadravati-Parli transmission line;
(xxiv) Raipur-Wardha transmission line;
(xxv) Tirunelveli transmission line;
(xxvi) Somananalli-Nelamangala transmission line;
(xxvii) Meramundali-Dubri transmission line;
(xxviii) Sagardighi-Gokarna transmission line;
(xxix) Rangit-Siliguri transmission line;
(xxx) Baripada-Mendhasal transmission line;
(xxxi) RKL-Raigarh transmission line;
(xxxii) Durgapur-Jamshedpur transmission line; and
(xxxiii) Meramundali-Toorshra transmission line.

10. Labour Disputes

There are 59 cases relating to labour and service matters pending against our Company, which were filed by employees of our Company, contract labourers employed by contractors for carrying out works in our projects and labour unions, which may or may not be registered with our Company. These cases primarily relate to disputes regarding absorption of workmen by our Company, wrongful dismissal and reinstatement to service, arrears of salary, gratuity and allowance, matters relating to transfer, promotion and extension of service and claim for fitment benefits on absorption. The total claim against our Company is approximately ₹ 8.4 million, which does not include claims for payment of back wages.

11. Arbitration Matters

There are 52 disputes involving our Company which were referred to arbitration. These disputes relate primarily to disputes under supply contracts executed by our Company and termination of contracts by our Company. The total claim against our Company in these cases is approximately ₹ 792.4 million, with interest.

12. CERC and Tariff Related Disputes

There are certain disputes relating to annual transmission charges fixed by the CERC before the CERC, the Appellate Tribunal for Electricity ("**Electricity Tribunal**") or the Supreme Court, which were initiated by the SEBs or our Company. The brief details of these disputes are set forth below:

(i) Dispute relating to depletion of equity

There is a dispute in relation to the determination of the capital cost of our transmission projects for the purpose of calculation of the annual transmission charges by the CERC. The net book value of projects for fiscal 1993 to 1998 was determined by the MoP after deducting the cumulative depreciation recovered from the date of commercial operation of the respective projects till March 31, 1992 from the original gross block of the project. Therefore, the net book value of the assets was considered for the purpose of determination of transmission charges, which was divided notionally into debt and equity components in the ratio of 50:50 for computation of interest on loan and return on equity for the period between April 1, 1992 and March 31, 1997. A similar methodology was followed by the MoP for determination of transmission charges for fiscal 1998 to 2002 for assets in existence prior to April 1, 1997 i.e. the net book value of the project as on April 1, 1997 was determined after deducting the cumulative depreciation recovered till March 31, 1997. This net book value was considered for determination of interest on loan and return on equity while determining the transmission charges. The MoP issued a notification providing that 50% of the net book value of the asset as on April 1, 1997 would be considered as equity up to the technical life of the project. After the formation of the CERC, our Company filed a petition before the CERC (No. 26 of 2005) contending that the methodology adopted by the MoP in determining net book value as described above for calculation of the equity component had resulted in a depletion of equity amounting to approximately ₹ 6,463.7 million with respect to 27 transmission assets. The petition was rejected by the CERC primarily on the ground that the CERC could not retrospectively modify principles adopted by the MoP for determination of transmission charges. Our Company filed an appeal against this order before the Electricity Tribunal (No. 121 of 2005), which placed reliance upon a letter from the MoP to our Company admitting an error in determination of net book value, and directed the CERC to rectify the mistake with effect from April 1, 2004. In accordance with the order of the Electricity Tribunal we are entitled to restoration of equity of approximately ₹ 6,463.7 million. Further, transmission charges are to be re-determined after taking into account the restoration of equity with effect from April 1, 2004. We filed six separate petitions before the CERC for recalculation of transmission charges on this basis. The Punjab SEB filed a civil appeal in the Supreme Court (No. 21415 of 2006) for setting aside the order of the Electricity Tribunal. Until re-determination of the charges by the CERC, subject to the decision of the Supreme Court, the applicable transmission charges are those which were originally been determined by the CERC.

(ii) Dispute relating to capitalization of foreign currency fluctuations

There is a dispute n relation to the methodology adopted by the CERC in arriving at the FERV liability in respect of transmission assets while determining the annual transmission charges with respect to these assets. The transmission charges with respect to an asset till March 31, 2001 was determined by CERC based on the norms notified by the GoI on a consideration of the net book value of the asset and the loan and equity components therein. The FERV for this period was also determined on the basis of the exchange rate difference between the date of actual repayment of the loan and the date of commercial operation. CERC notified norms for the calculation of transmission charges for the period 2001 to 2004. In accordance with these norms the historical capital cost of assets as on March 31, 2001 were determined after capitalizing the FERV calculated on the basis of the exchange rate difference between the date of actual repayment of the loan and the date of commercial operation.

Further, this capitalized amount was apportioned into a loan and equity component on the basis of the normative debt-equity ratio of 50:50 (for projects commissioned up to March 31, 1997) and actual debt-equity ratio (for projects commissioned thereafter) to determine the interest on loan and return on equity for the purpose of calculation of the annual transmission charges. The Tamil Nadu SEB filed review petitions with the CERC with respect to the period between April 1, 2001 and March 31, 2004, which were not admitted. The Tamil Nadu SEB filed appeals in the High Court of Madras, which were transferred to the Electricity Tribunal. The grounds of appeal is the methodology followed by CERC in relation to the FERV liability was not in accordance with CERC tariff regulations and this amount could not be apportioned between loan and equity since it arose solely out of a foreign currency loan. The Electricity Tribunal upheld the capitalization of FERV liability calculated as described above. However, the Electricity Tribunal held that the capitalized amount be added to the debt component only. Our Company filed an appeal in the Supreme Court, which was admitted.

The Tamil Nadu SEB filed another review petition with the CERC for review of its order determining the annual transmission charges for the period 2004-2009 for the 400 KV Ramagundam-Hyderabad transmission line and inter-regional HVDC Back to Back station at Chandarpur on the grounds mentioned above. The CERC by order dated March 12, 2007 allowed the review petition and held that the petition in respect of transmission charges for the period 2004-2009 be heard after the impact of FERV for the period 2001-2004 was worked out in terms of Electricity Tribunal order dated October 14, 2006. In the event the Supreme Court upholds the contention of the Tamil Nadu SEB in the dispute described above for the period April 1, 2001 to March 31, 2004, the CERC may be required to re-determine the transmission charges with respect to our transmission assets. Further, this decision may impact calculation of transmission charges with respect to all our existing transmission assets where the FERV may be in dispute and we may be entitled to a lesser transmission charge for each of our assets compared to the transmission charges that were fixed by the CERC.

(iii) Dispute relating to the Uniform Common Pool Transmission Tariff ("**UCPTT**")

There is a dispute in relation to the UCPTT method applicable for determination of transmission charges in the north-eastern region. The UCPTT rate is the rate at which tariff is charged for the transmission of power to north eastern region states which is applied on the total central sector energy drawn by each state. Since the north eastern region transmission system comprises transmission lines owned by our Company as well as state owned lines, the UCPTT rate in ₹/unit is derived by pooling the annual transmission charges for the transmission lines owned by our Company and state owned lines divided by total central sector energy in the north eastern region. The UCPTT rate was revised from time to time on account of additional capital investment in transmission systems in the north eastern region. This rate was fixed at ₹ 0.3 per kWh with effect from April 1, 1998, of which the share of our Company was approximately ₹ 0.3 per kWh. Our Company filed an application before the CERC for re-apportionment of the share of our Company and the north-eastern region states with effect from February 1, 2000 on the ground of increased capital investments by our Company. The CERC directed the re-apportionment of the UCPTT rate with effect from April 1, 2004 but did not amend the apportionment of the UCPTT rate between the period 2001and 2004. Our Company filed an appeal before the Electricity Tribunal for amending the apportionment of the UCPTT rate with effect from February 1, 2000 based on the capital expenditure of our Company in the north eastern region transmission system during this period.

We filed an appeal in the High Court of Delhi (No. 186 of 2002) against the orders of the CERC issued on certain review petition challenging the UCPTT rate fixed at ₹ 0.3 per kWh, on the grounds that this rate does not take into account any payment of an incentive to our Company in accordance with the notification issued by the MoP dated December 16, 1997 for determination of tariff leviable on transmission of power by our Company. Our Company filed an appeal in the High Court of Delhi against the order of the CERC for determination of transmission charges with respect to the Kathalguri transmission system, Kopili Extension Stage-I Transmission System and 132 KV Augmentation Scheme in the North-Eastern region on the ground that our Company's total capital investments in these transmission lines would result in a higher UCPTT rate. The High Court of Delhi by order dated August 20, 2008 transferred the appeal to the Appellate Tribunal for Electricity.

The CERC by order dated December 27, 2006 directed that SEBs are to continue paying transmission charges at 0.35 per kWh and that our Company can recover the difference between actual tariff and tariff of 0.35 per kWh. Our Company filed an appeal (No. 98 of 2007) before the Appellate Tribunal for Electricity, claiming modification of the order and approval for sharing of the 0.35 per kWh based on capital expenditure of the parties. The APE by order dated January 4, 2008 set aside the CERC's order. The Assam SEB filed a civil appeal (No. 2105 of 2009) claiming that unlawful relief was granted to our Company and sought that the Court direct our Company to pay arrears in terms of the CERC order dated December 27, 2006.

In addition to the disputes described above, there are certain disputes in the High Court of Delhi or the Electricity Tribunal relating to certain orders issued by the CERC.

(iv) There is a dispute in relation to the determination of transmission charges with respect to the Jeypore-Gajuwaka transmission system in the southern region. While determining transmission charges for the period between September 1, 1999 and March 31, 2001, the CERC disallowed the interest during construction amounting to ₹ 119.5 million claimed by our Company, on account of delay in completion of the project. Our Company filed a review petition before the CERC, which was rejected, pursuant to which we filed a writ petition in the High Court of Delhi. On constitution of the Electricity Tribunal, the writ petition was withdrawn and an appeal was instituted in the Electricity Tribunal. However, the Electricity Tribunal did not admit the matter, following which we re-instituted the writ petition in the High Court.

(v) Our Company filed an appeal in the High Court of Delhi against the order of the CERC issued on a review petition filed by our Company. In the review petition, our Company sought to fix the amount of provisional tariff payable with respect to the Kaiga transmission system at 100% of the revised cost of the project. However, the CERC directed the beneficiaries, being the SEBs, to pay an amount equivalent to 90% of the tariff claimed by our Company subject to final determination of the tariff. The CERC also directed our Company to evolve a mechanism for consultation with beneficiaries in case of an upward revision in the cost of the project. In our appeal in the High Court we prayed for payment of 100% of the tariff claimed by our Company since the assets in question were fully utilized by the SEBs. Further, we prayed for the setting aside of the direction of the CERC for evolving a consultative mechanism prior to revising the cost of a project on the grounds that such a procedure was not contemplated by the ERC Act and was beyond the CERC's jurisdiction.

(vi) Our Company filed an appeal in the High Court of Delhi against the order of CERC dismissing a review petition filed by our Company in relation to the calculation of transmission charges for the Chandrapur HVDC back to back station. The CERC held that our Company was not entitled to depreciation on the overseas disbursement assistance ("**ODA**") amounting to ₹ 3,215.5 million for determining transmission charges. In our appeal in the High Court we contended that the actual project cost including any ODA be considered for depreciation for the purpose of calculation of the transmission charges. The High Court of Delhi by order dated August 20, 2008 transferred the appeal to the Electricity Tribunal.

(vii) Our Company filed two appeals in the Electricity Tribunal to set aside the order of CERC dated February 3, 2009 for re-determination of tariff for replacement of transformers at Kaithal, Manipuri, Mandola and Ballabgardh.

(viii) Our Company filed an appeal in the Electricity Tribunal against the order of CERC dated June 9, 2009 denying the monetary incentive during maintenance based on availability of transmission system for the year 2006-07 in Talcher-Kolar HVDC link.

(ix) Our Company filed an appeal before the Electricity Tribunal against the order of CERC dated April 30, 2009, denying the shut down of the Talcher-Kolar HVDC link for upgradation work which resulted in loss of monetary incentive due to reduction of availability of the transmission system. Our Company claimed for the capitalisation of ₹ 214.5 million as incentive, with transmission tariff.

(x) The Tamil Nadu SEB filed an appeal before Electricity Tribunal against the order of CERC dated March 15, 2007 which allows normative debt-equity ratio of 70:30 after date of commercial operation. The Tamil Nadu SEB challenged the order claiming that the actual equity be considered instead of the normative equity for calculation of tariff.

(xi) The Indian Electricity Grid Code ("**IEGC**") is an operating code specifying the policy and procedures required to be followed by participants, including our Company, in the Inter-State Transmission System ("**ISTS**"). CERC, through its orders dated October 30, 1999 and December 21, 1999, had approved the IEGC submitted by our Company in its capacity as the CTU. Further, CERC through its order dated October 30, 1999, issued certain directions to be followed by our Company as CTU. Our Company filed an appeal (No. 337 of 2000) in the Delhi High Court, challenging the order of CERC dated October 30, 1999, on the ground that CERC exceeded its authority and its terms of reference, in issuing certain directions with respect to the process to be followed by the Company in formulating the IEGC. The ground for our challenge is that the directions of CERC appear to be based on the view that the CTU and our Company should be two separate entities (with our Company, as per CERC's directions being required to act as an independent power transmission company) and that our Company, acting in capacity of CTU, would be in the position of taking decisions in the process of selection while dealing with its own bid, submitted by our Company in exercise of its commercial functions.

(xii) The Madhya Pradesh SEB filed a writ petition in the High Court of Madhya Pradesh, Jabalpur (No. 6626 of 2001) against CERC and others including our Company. The petitioner challenged the constitutionality and legality of the CERC order dated December 21, 2000 and notification dated March 26, 2001 issued pursuant to this order, alleging that the order and notification impose a tax of 10 % for central government owned transmission companies as development surcharge which is ultimately imposed on beneficiaries like the petitioner. It is further alleged that the order and notification impose income tax liability of the generating and transmission companies on the beneficiaries. The petitioner contended that CERC does not have authority to impose any tax and prayed for quashing the order and notification. The High Court has granted a stay on any imposition of tax until the matter is decided.

(xiii) CERC imposed a penalty of ₹ 0.1 million on the Madhya Pradesh SEB for alleged violation of the Grid Code. The Madhya Pradesh SEB filed a miscellaneous appeal in the High Court of Madhya Pradesh at Jabalpur (No. 1309 of 2003) challenging the legality of the order. Our Company is impleaded as a proforma party since it transmits electricity to the Madhya Pradesh SEB. Our Company has filed a written statement.

(xiv) Our Company filed a petition before CERC (No. 109 of 2000) for approving fees and charges to be paid to RLDCs by various SEBs for undertaking load despatch functions for the years 1998-1999 to 2003-2004, which was approved by CERC by order dated March 22, 2002. Our Company filed a review petition before CERC seeking review of directions on certain items of fees and charges approved by CERC which was allowed. CERC by order dated May 8, 2003 revised the fees and charges for 2000-2001 to 2003-2004, against which the Tamil Nadu Electricity Board filed an appeal in the High Court of Chennai (No. 2485 of 2004).

(xv) Our Company filed a petition (No. 916 of 2007) before the Gujarat State Electricity Regulatory Commission, Ahmedabad (the "**GERC**") challenging the unilateral action of Uttar Gujarat Vij Company Limited in changing our tariff classification, and claiming refund of the excess amount billed to our Company on account of such unilateral change in classification by Uttar Gujarat Vij Company Limited from September, 2002 onwards.

(xvi) Our Company filed a petition (No. 157 of 2005) before CERC for approval of the monetary incentive for the year 2004-05 due to shut down of transmission lines. CERC by its order dated November 28, 2006 denied the monetary incentive prayed for. Our Company filed an appeal before the Appellate Tribunal of Electricity, which was dismissed. Our Company filed a writ petition (No. 8413 of 2008) in the High Court of Delhi challenging the scope and applicability of the CERC Tariff Regulations, 2004 for granting revenue on account of loss of revenue due to shut down of transmission lines.

13. Notice under Right to Information Act, 2005

Powergrid Karmachari Union, Jammu has served a notice under the Right to Information Act, 2005 before the Pubic Information Officer of our Company seeking disclosure of information regarding the transfer policy of workman within the northern region II.

14. Miscellaneous Cases

There are 31 miscellaneous cases against our Company in various fora, pertaining to matters including claiming bank guarantees, compensation for death, compensation towards hire charges, recovery of money and matters before the Motor Accident Claims Tribunal. The claim against our Company is not ascertainable.

II. Litigation by our Company:

1. Criminal Cases

There are six criminal cases filed by our Company, the details of which are set forth below:

(i) Our Company lodged an FIR against Mr. K. Jangaiah who requested employment in our office on the basis of a forged experience certificate purported to have been issued by one of our officers. A charge-sheet was filed and cognizance taken by the III Metropolitan Magistrate, Cyberabad (No. 722 of 2005) for offences punishable under sections 465 and 471 of the IPC. The court by order dated May 5, 2006 acquitted the accused, against which we filed a memorandum of criminal revision in the High Court of Andhra Pradesh (No. 15023 of 2006).

(ii) Our Company filed an FIR against Mr. Harish Chandra for the theft of our transmission material. The police filed the charge-sheet before the Chief Judicial Magistrate, Mainpuri (No. 2329 of 1999). The Court have taken the cognizance of the same and registered the case under sections 379 and 411 of the IPC.

(iii) Our Company filed an FIR against Mr. Bahadur for the theft of our transmission material. The police filed the charge-sheet before the Chief Judicial Magistrate, Etah (No. 80 of 1990). The Court have taken the cognizance of the same and registered the case under sections 379 and 411 of the IPC.

(iv) Our Company filed an FIR against Mr. Dinesh Pashi for theft of tower material from the Kanpur sub-station. The police filed the charge-sheet in the Munsif Court, Kanpur (No. 359 of 2006), which took cognizance and registered the case under sections 379 and 411 of the IPC.

(v) Our Company lodged two FIRs against Mr. Khushboo and others in the Patharota police station (Madhya Pradesh) with respect to two separate incidents of theft of certain materials from the Itarsi sub-station in the year 2004 and 2006 respectively. Charge sheets were filed against certain individuals accused of the thefts before the Judicial Magistrate, Itarsi (case nos. 346/2004 and 1575/2006) under sections 386, 387, 295,506 and 353 of the IPC.

(vi) Our Company lodged an FIR against Jammu Begum in the Waidhan police station (Madhya Pradesh) for obstructing the construction of the 400kV Vindhyachal – Satna transmission line. A charge sheet was filed under section 186 of the IPC against the accused before the Judicial Magistrate, Waidhan (No. 215 of 2006).

2. Company Case

There is a case initiated by our Company in the High Court of Calcutta, for the winding up of Ancon Engineering Company Private Limited, where the total claim by our Company is ₹ 11.9 million.

3. Arbitration Matters

In addition to the counter-claims described in the arbitration cases against our Company, we have initiated one arbitration proceeding, where the total claim by our Company is approximately ₹ 0.4 million.

4. Telecom Disputes

There is a case initiated by our Company before the Telecom Disputes Settlement and Appellate Tribunal, to recover outstanding dues against service provided by our Company, where the total claim by our Company is ₹ 1.0 million.

5. Civil suits

There is a suit initiated by our Company in the High Court of Chandigarh, to recover the amount paid to the owners of land which was allotted in consonance with the order of the court, where the total claim by our Company is ₹ 16.6 million.

There is also an appeal initiated by our Company before the Andhra Pradesh State Consumer Redressal Commission challenging the order dated March 9, 2009 of the District Consumer Redressal Forum, Vishakhapatnam filed for deficiency of services due to fraudulent encashment of a demand draft. The total claim by our Company is ₹ 0.1 million.

III. Litigation against our Directors:

Our Chairman and Managing Director and Directors are generally made pro forma parties to litigation filed against our Company. In addition to these cases and except as disclosed below, our Directors have no outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, in their individual capacity or in connection with our Company and other companies with which the Directors are associated.

(i) Noorjahan Begum filed a civil suit (No. 12009 of 2009) before the Civil Judge, Junior Division, against our Chairman and Western Region Transmission (Maharashtra) Private Limited, alleging that the construction of the Parli to Pune transmission line is illegally taking place in her property and that continuing the construction will cause damage to her oil storage tank. Noorjahan Begum prayed for permanent injunction and temporary injunction to restrain the defendants from continuing construction. The Civil Judge, Junior Division, by order dated April 26, 2010 denied the grant of a temporary injunction. Noorjahan Begum filed a miscellaneous civil appeal (No. 27 of 2010) before the District Judge, Ambajogai, who by order dated July 6, 2010 confirmed the order of the Civil Judge and dismissed the appeal. The matter pertaining to the permanent injunction is pending final disposition.

(ii) The Power Grid Employees Trade Union, N.R.-I and our chief manager Mr. A.K. Garg filed two civil writ petitions (No. 8158-59 of 2005) in the High Court of Delhi against our Company and others, challenging the Power Grid Self Contributory Superannuation Benefit (Pension) Revised Scheme ("**Revised Scheme**") and the Power Grid Employees Contributory Family Pension Plan ("**Pension Plan**") on the grounds that they are arbitrary and detrimental to the interests of the employees. Pursuant to an agreement with Power Grid National Bipartite Committee on March 17, 1998, we introduced the Power Grid Self Contributory Superannuation Benefit (Pension) Scheme 2004 ("**Pre-Revised Scheme**") which was made compulsory to all our employees. We created the Power Grid Self Contributory Superannuation Benefit Trust under the Pre-Revised Scheme and executed a trust deed in 1998 for that purpose. On October 1, 2004 we replaced the Pre-Revised Scheme with the Revised Scheme by incorporating certain amendments in the Pre-Revised Scheme. It is alleged that no trust deed was executed and no consent of employees was taken before implementing the Revised Scheme and therefore that the Revised Scheme is in contravention of the Indian Trust Act, 1882 and the Indian Contract Act, 1872. The petitioners prayed for quashing the Revised Scheme and the trust deed created under the Pre-Revised Scheme and for dissolving the Power Grid Self Contributory Superannuation Benefit Trust, and for quashing the Pension Plan on the ground that it is not pursuant to any statute and hence not binding on our employees. The High Court by interim order dated May 10, 2005 asked the petitioners to make their contributions to the Power Grid Self Contributory Superannuation Benefit Trust. The petitioners filed a contempt petition (C. C. No. 744-45/2006) in this writ petition against our Chairman and Director (Personnel) alleging violation of the court's interim order on the grounds that we continue to charge the petitioners' contribution under the Revised Scheme. The High Court dismissed the contempt petition by order dated May 6, 2008.

IV. Litigation against our Subsidiaries

Except as described below there is no pending litigation against our Subsidiaries.

A. Litigation against Power System Operation Corporation Limited ("POSOCO")

1. CERC and Tariff Related Disputes

There are 14 disputes initiated by various SEBs against POSOCO before CERC, various High Courts and State Commissions. These disputes relate to matters such as validity of the CERC (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2007, overdrawal of electricity and non-compliance of grid discipline as well as the annual transmission charges fixed by the CERC. The amount in these matters is not quantifiable.

2. Civil Suits

There is one civil suit (No. 38 of 2010) filed by Mr. Shiv Kumar Garg against NRLDC through its general manager and others before the Civil Judge, Senior Division, Hapur for mandatory injunction to supply regular and uninterrupted power supply for 20 hours per day. The amount involved in this matter cannot be quantified.

V. Litigation by our Subsidiaries

Except as described below there is no pending litigation filed by our Subsidiaries.

A. Litigation by POSOCO

1. CERC and Tariff Related Disputes

There is one petition (129/2010) filed by NLDC pending before the CERC against the chairman of Uttar Pradesh Power Corporation Limited ("**UPPCL**") and others. The petition has been filed against the constituents of the northern region for maintaining grid security of the entire north-east-west grid by curbing the overdrawal of electricity. The amount involved in this matter is not quantifiable.

IV. Litigation against our Joint Ventures:

Except as described below there is no pending litigation against any of our joint venture companies.

A. Torrent Powergrid Limited

1. Civil suits

There are five civil suits filed against Torrent Powergrid Limited before various courts challenging the erection of various transmission lines. The amount involved is not quantifiable.

B. Powerlinks Transmission Limited

1. Civil suits

There are five civil suits filed against Powerlinks Transmission Limited before various courts for disputes relating insufficient payment evaluated by District Forest Authority, restraining the erection of tower, and compensation for the death of an employee of a sub-contractor. The total amount claimed is ₹ 0.7 million.

C. Jaypee Powergrid Limited

1. Civil suits

There are three civil suits filed against Jaypee Powergrid Limited before various courts for enhancement of compensation claimed on account of damage to land and fruit trees. The total amount claimed is ₹ 7.5 million.

V. Amount owed to small scale undertakings/creditors

As on September 30, 2010, we do not owe a sum exceeding ₹ 0.1 million to any micro, small and medium enterprises, which is outstanding for more than 30 days.

VI. Material Developments:

Except as stated in "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 254, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay material liabilities within the next 12 months.

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

1. The Board of Directors has, pursuant to resolutions passed at its meeting held on July 2, 2010 authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

2. The shareholders of our Company have authorised the Issue, pursuant to a resolution passed by postal ballot dated October 8, 2010, under section 81(1A) of the Companies Act.

3. The Selling Shareholder has approved the Issue and the Offer for Sale through letter dated July 27, 2010.

4. The Reserve Bank of India through letter (F.E.CO.FID No.7683/10.21.208/2010-11) dated September 28, 2010 has approved the transfer of 420,884,123 Equity Shares of our Company in favour of residents outside India under Offer for Sale portion in this Issue.

B. APPROVALS FOR OUR BUSINESS

I. Approvals for our ongoing projects

1. **Transmission System associated with the Barh Generation Project**

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary, MoP, conveying administrative approval and expenditure sanction of the President of India.	No.12/13/2003-PG	December 12, 2005	Not applicable.
2	Prior approval of the Central Government under section 68 of the Electricity Act, for installation of overhead lines.	No. 11/16/2003-PG	January 14, 2004	Not applicable.
3.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 111.9 ha of forest land for the 765 KV Bina-Seoni transmission line.	No. 8-22/2007-FC	May 28, 2009	Not applicable.
4.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.3 ha of forest land for the 400 KV Barh-Ballia transmission line*.	No. 5-BHB054/2008-BHU	July 27, 2010	Not applicable.

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government, we cannot commence construction work in the areas designated in the in-principle approval.

2. **East-West Transmission Corridor Strengthening Scheme**

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Director, MoP, conveying administrative approval and expenditure sanction of the President of India to the Feasibility Report.	No.12/5/2004-PG	June 23, 2006.	Not applicable.

S. No.	Description	Reference Number	Issue Date	Expiry Date
2	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/03-PG	April 23, 2004	Not applicable
3.	Approval of the Central Government under section 2 of the Forest Conservation Act for diversion of 18.8 ha of forest land for the 400 KV Ranchi-Rourkela transmission line.	No. 5-JHC096/2009-BHU	August 4, 2010	Not applicable.
4.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act for diversion of 111.4 ha of forest land for the 400 KV Rourkela-Raigarh transmission line*.	No. 8-28/2009-FC	July 26, 2010	Not applicable.

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

3. Supplementary Transmission System associated with DVC and Maithon RB Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	April 7, 2008	Not Applicable
2.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act for diversion of 3.4 ha of forest land for the 400 KV Maithon-Mejia transmission line in West Bengal*.	5-WBB038/2010-BHU	September 2, 2010	Not Applicable

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

Applications

1. Application (No. ERNC/TL-M(RB)-R/Forest/3399) dated October 16, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 61.9 ha of forest land for the 400 KV Maithon-Ranchi Transmission Line.

2. Application (No. KOD/KOD-BOK/TLC/W-09) dated October 26, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 198.9 ha of forest land for the 400 KV Bokaro-Koderma Transmission Line.

3. Application (No. KDM/KDM-Gaya/TLC/W-09/100) dated November 6, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 23.5 ha of forest land for the 400 KV Koderma-Gaya Transmission Line.

4. Application (No. IVR-5/V.N.S./TL/Construction/Forest/134) dated July 10, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 2.1 ha of forest land for the 400 KV Sasaram-Fatehapur Transmission Line.

5. Application (No. PG/Agra/Fatehapur-Agra) dated September 14, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 9.3 ha of forest land for the 400 KV Fatehapur-Agra Transmission Line.

6. Application (No. ER-I/PSL/DGM-5/06) dated August 6, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 2.9 ha of forest land for the 400 KV Biharshariff-Sasaram Transmission Line.

4. North East – Northern Western Region Interconnector – I

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	March 2, 2009	Not Applicable
2.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 133. 6 ha of forest land for the 400 KV Kameng-Balipara transmission line in Arunachal Pradesh*.	8-20/2010-FC	September 29, 2010	Not Applicable
3.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 98.2 ha of forest land for the 400 KV Kameng-Balipara transmission line in Assam*.	8-47/2009-FC	January 11, 2010	Not Applicable
4.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 74.3 ha of forest land for the 400 KV transmission lines from Gerukamukh-Bishwanath Charialia (Line – I and Line – II) in Arunachal Pradesh*.	8-73/2009-FC	September 29, 2010	Not Applicable
5.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 3.6 ha of forest land for the 400 KV transmission lines from Gorakhpur-Lucknow in Uttar Pradesh.	8B/UP/04/50/2009/FC/572	August 20, 2010	Not Applicable

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

Applications

1. Application (No. NERNG/400KV(Q)/Forest-Proposal/22) dated July 31, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 11.8 ha of forest land for the 400 KV Balipada-Bongaigaon Transmission Line.

2. Application (No. PG/AGRA/HVDC/209) dated May 22, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 6.6 ha of forest land for the 800 KV Lucknow-Agra Transmission Line.

3. Application (No. PG/AGRA/HVDC/124) dated April 30, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 0.5 ha of forest land for the 800 KV Lucknow-Agra Transmission Line.

4. Application (No. PG/AGRA/HVDC/237) dated May 25, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 1.4 ha of forest land for the 800 KV Lucknow-Agra Transmission Line.

5. Application (No. N-1/AGRA/800KVHVDC/198) dated July 21, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 5.8 ha of forest land for the 800 KV Lucknow-Agra Transmission Line.

5. Transmission System associated with Rihand – III (2 x 500 MW) and Vindhyachal – IV (2 x 500 MW) Generation Projects

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for the installation of overhead lines.	11/4/2007-PG	November 12, 2009	Not Applicable

6. Transmission System associated with Koteshwar HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	July 29, 2004	Not applicable.

7. Establishment of 220/132 kV substations at Kichcha and Pithoragarh (System Strengthening Scheme in Uttaranchal)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Approval under section 18-A of the Electricity (Supply) Act, 1948.	No. 11/3/2003-PG	August 23, 2002.	Not applicable.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 2.7 ha of forest land for 400 KV Dhauli Ganga-Bareli transmission line.	8B/UCP/04/196/2005/FC/2989	February 20, 2006	Not Applicable.

8. Transmission System associated with Koldam Hydro-electric Project (4x200 MW)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary, MoP, conveying administrative approval and expenditure sanction of the President to the Feasibility Report for Transmission System associated with Koldam Hydro-electric Project (4x200 MW).	No.12/19/2003-PG	September 7, 2005	Not applicable.
2.	Approval under section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 37.5 ha of forest land for the 400 KV Koldam-Nalagarh	No. 9-HPC347/2007-CHA/9309	April 22, 2008	Not applicable.

S. No.	Description	Reference Number	Issue Date	Expiry Date
	transmission line*.			

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

9. Transmission System associated with Parbati II HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Approval under section 18-A of the Electricity (Supply) Act, 1948.	11/4/2003-PG	March 13, 2003	Not applicable
2.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines for the 400 KV Parbati–II-Koldam (Line–I) and Parbati–II-Koldam (Line–II) Transmission Lines.	11/1/08-PG	November 14, 2008	Not applicable

10. Transmission System associated with Parbati-III HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary, MoP, conveying administrative approval and expenditure sanction of the President of India to the implementation of Transmission System associated with Parbati-III HEP.	No.12/19/2004-PG	July 31, 2006.	Not applicable.
2.	Approval under section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003	March 13, 2003	Not applicable.
3.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 61.6 ha of forest land for the 400 KV Parbati-Amritsar transmission line*.	No. 8-76/2009-FC	April 23, 2010	Not applicable.
4.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 6.5 ha of forest land for the 400 KV LILO Parbati-II to Parbati-III transmission line*.	No. 9HPC028/2008-CHA/5479	July 1, 2008	Not applicable.
5.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.0 ha of forest land for the 400 KV LILO Parbati-II to Parbati-III transmission line*.	No. 9HPB215/2009-CHA/6236	November 18, 2009	Not applicable.

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

11. Uri-II HEP Transmission System

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	July 30, 2004	Not applicable.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 22.2 ha of forest land for the 400 KV Uri to Uri-II and Uri-II to	No. 81/05/2010	March 31, 2010	Not applicable.

S. No.	Description	Reference Number	Issue Date	Expiry Date
	Wagoora transmission lines.			

12. Transmission System Associated with Chamera – III Generation Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	April 7, 2008	Not Applicable
2.	In-Principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 130.7 ha of forest land for the 400 KV Chamera-III HEP-Jullandur transmission line*.	8-81/2010-FC	September 22, 2010	Not Applicable.

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

Application

1. Application (No. N2CBA/CH-III/220/Forest/09) dated December 16, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 19.2 ha of forest land for the 220 KV Chamera-III-Pooling Station near Chamera-II Transmission Line.

13. Northern Region System Strengthening Scheme – X

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	February 15, 2007	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 3.7 ha of forest land for the 400 KV Gorakhpur-Lucknow transmission line.	8B/UP/04/50/2009/FC/572	August 20, 2010	Not Applicable

14. Northern Region System Strengthening Scheme – XI

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	February 15, 2007	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 0.5 ha of forest land for the 400 KV Kaithal-Meerut transmission line.	8B/UP/01/48/209/FC/322	May 3, 2010	Not Applicable
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 4.1 ha of forest land for the 400 KV Kaithal-Meerut transmission line in Haryana.	9-HRB560/2009-CHA/1759	May 17, 2010	Not Applicable.
4.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 0.6 ha of forest land for the	8B/UP/04/68/2009/FC/1412	January 6, 2010	Not Applicable

S. No.	Description	Reference Number	Issue Date	Expiry Date
	400 KV Kaithal-Meerut transmission line in Haryana.			

15. Northern Region System Strengthening Scheme – XII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	June 27, 2007	Not Applicable
2.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.0 ha of forest land for the 400 KV Bahadurgarh-Sonepat transmission line*.	9-HRB229/2010-CHA	May 24, 2010	Not Applicable
3.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 0.5 ha of forest land for the 400 KV Bahadurgarh-Sonepat transmission line*.	9-HRB230/2010-CHA/2124	June 2, 2010	Not Applicable
4.	Approval of the Central Government under section 2 of the Forest (Conservation) Act, 1980 for diversion of 1.1 ha of forest land for the 400 KV Bahadurgarh-Sonepat transmission line.	9-HRB228/2010-CHA/2119	June 2, 2010	Not Applicable

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

16. Northern Region System Strengthening Scheme – IX

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	February 15, 2007	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.9 ha of forest land for the 400 KV Kanpur-Ballabgarh transmission line.	8-B/UP/04/38/2009/FC/673	September 9, 2010	Not Applicable
3.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.4 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	8-B/UP/01/47/2009/FC/349	September 9, 2010	Not Applicable
4.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 1.4 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	8-B/UP/04/133/2010/FC/929	October 8, 2010	Not Applicable
5.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.05 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	8-B/UP/04/133/2010/FC/929	October 8, 2010	Not Applicable
6.	In-principle approval of the Central	8-B/UP/AB/47/2010/FC/670	August 27,	Not

S. No.	Description	Reference Number	Issue Date	Expiry Date
	Government under section 2 of the Forest (Conservation) Act, for diversion of 0.5 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.		2010	Applicable
7.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.8 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	8-B/UP/04/67/2010/FC/714	September 9, 2010	Not Applicable
8.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.3 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	8-B/UP/04/65/2010/FC/715	September 9, 2010	Not Applicable
9.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.06 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	N-HRB443/2010-CHA/3048	August 5, 2010	Not Applicable
10.	In-principle approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.08 ha of forest land for the 400 KV Kanpur-Ballabhgarh transmission line*.	NHRB172/2010-CHA/3222	August 12, 2010	Not Applicable

* After receipt of a compliance report from the State Government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

Application

1. Application (No. N1/KPTLCONST/36/MAINPURI) dated July 10, 2009 for approval under section 2 of the Forest (Conservation) Act, for diversion of 0.6 ha of forest land for 400 KV Kanpur-Ballabhgarh transmission line.

17. System Strengthening for Northern Region Grid for Karcham-Wangtoo HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	June 17, 2008	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 322.8 ha of forest land for the 400 KV Karcham Wangtoo-Abdullapur transmission line.	8-18/2008-FC	July 21, 2009	Not Applicable

Application

1. Application (No. N2SNP/TL/A-S(P-A2)/714/09/1181) dated November 5, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 3.6 ha of forest land for the 400 KV Abdullapur-Sonepat Transmission Line.

18. Northern Region System Scheme – XV

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	June 17, 2008	Not Applicable

Application

1. Application (No. N1/BWDTLCONST/42) dated June 2, 2010 for approval under section 2 of the Forest (Conservation) Act, for diversion of forest land for 400 KV Manesar-Neemrana transmission line.

19. Northern Region System Scheme – XVII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	June 17, 2008	Not Applicable

20. Northern Region System Scheme – XVIII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	June 17, 2008	Not Applicable

21. Northern Region System Scheme – XIX

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	June 17, 2008	Not Applicable

22. Transmission System Associated with Rampur HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	December 16, 2008	Not Applicable

Applications

1. Application (No. N2PTL/PLTL/Forest/Patiala/544) dated May 3, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.4 ha of forest land for the 400 KV Patiala-Ludhiana Transmission Line.

2. Application (No. N2PNPT/KMPT-F12/2010-1313) dated July 23, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.3 ha of forest land for the 400 KV LILO Patiala-Hissar Transmission Line.

3. Application (No. N2PNPT/KMTL-F107/2010-1346) dated August 2, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.2 ha of forest land for the 400 KV LILO Patiala-Hissar Transmission Line.

4. Application (No. N2PNPT/KMTL-F12/2010-1301) dated July 18, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.2 ha of forest land for the 400 KV LILO Patiala-Hissar Transmission Line.

23. <u>765 KV System for Central part of Northern Grid Scheme Part – I (earlier named as Northern Region Strengthening -765KV System for NCR and around)</u>

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	January 20, 2009	Not Applicable

Applications

1. Application (No. N1/AGRA/TL CONST/MA/FRT/2526) dated September 13, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of forest land for the 765 KV Meerut-Agra Transmission Line.

2. Application (No. N1/AGRA/TL CONST/MA/FRT) dated August 30, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of forest land for the 765 KV Meerut-Agra Transmission Line.

24. <u>Northern Region System Strengthening Scheme – XIII</u>

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	July 4, 2008	Not Applicable

<u>Application</u>

1. Application (No. NEGGN/MNS/TL/FC/10) dated September 9, 2010 for approval under section 2 of the Forest Conservation Act, for 400 KV Gurgaon-Manesar Transmission Line for diversion of 9.5 ha of forest land.

25. <u>Northern Region System Strengthening Scheme – XIV</u>

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	June 17, 2008	Not Applicable

26. <u>Northern Region System Strengthening – 765 KV System Part – III for NCR and around</u>

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the	11/4/07-PG	October 9, 2007	Not Applicable

S. No.	Description	Reference Number	Issue Date	Expiry Date
	Electricity Act for installation of overhead lines.			

27. Transmission System associated with Sasan and Mundra Ultra Mega Power Projects in Northern Region

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	February 19, 2007	Not Applicable

28. Northern Regional Transmission Strengthening Scheme

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	January 19, 2009	Not Applicable

29. Northern Region System Strengthening Scheme – XXI

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	November 16, 2009	Not Applicable

Application:

1. Application (No. NR1/MRT/CONST/LILO/KM) dated July 29, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.2 ha of forest land for the LILO of 400 KV Kaithal- Meerut Transmission Line.

30. Western Region System Strengthening Scheme-II

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary MoP, conveying administrative approval and expenditure sanction of the President to the implementation of Western Region System Strengthening Scheme-II.	No.12/7/2004-PG	July 24, 2006	Not applicable.
2	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	July 8, 2004	Not applicable.
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 84.5 ha of forest land for the 400 KV Brishinghpur-Damoh transmission line.	No. 8-50/2008-FC	May 19, 2009	Not applicable.
4.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 88.7 ha of forest land for the 400 KV Damoh-Bhopal transmission	No. 8-76/2008-FC	May 19, 2009	Not applicable.

	line.			
5.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 62.9 ha of forest land for the 756 KV Bina-Gwalior transmission line.	No. 8-38/2007-FC	December 22, 2008	Not applicable.
6.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 96.8 ha of forest land for the 400 KV Birsinghpur-Korba transmission line.	No. 8-52/2008-FC	November 9, 2009	Not applicable.
7.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 157.5 ha of forest land for the 400 KV Korba-Birsinghpur transmission line.	No. 8-10/2010-FC	July 28, 2010	Not applicable.
8.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 3.6 ha of forest land for the 400 KV Bhadravanti-Parli transmission line*.	No. 6-MHB169/2009-BHO/1380	July 20, 2010	Not applicable.
9.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 15.4 ha of forest land for the 400 KV Raipur-Wardha transmission line*.	No.6-CHC004/2010-BHO/979	May 31, 2010	Not applicable.

* After receipt of a compliance report from the state government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

31. Transmission System associated with Gandhar-II Gas Based Power Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary MoP, conveying administrative approval and expenditure sanction of the President to the implementation of scheme for Transmission System associated with Gandhar-II Gas Based Power Project.	No.12/24/2005-PG	August 18, 2006.	Not applicable.
2	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No.11/16/2003-PG	February 1, 2005	Not applicable.
3	Approval for incurring advance expenditure of ₹ 14.0 million for detailed survey.	No. 12/24/2004-PG.	December 23, 2004.	Not applicable.

32. Western Region System Strengthening Scheme – V

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	February 22, 2007	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.3 ha of forest land for	6-DNB146/2009-BHO/7272	July 7, 2010	Not Applicable

S. No.	Description	Reference Number	Issue Date	Expiry Date
	the 220 KV Vapi-Khadoli transmission line in Dadra and Nagar Haveli.			
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 0.1 ha of forest land for the 220 KV Vapi-Khadoli transmission line in Vapi District of Gujarat.	6-GJB048/2010-BHO/1092	June 16, 2010	Not Applicable
4.	In-principle approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 26.4 ha of forest land for the 400 KV LILO line from Lonikand-Kalwa in Navi Mumbai and Raigarh District, Maharashtra*.	6-MHC006/2010-BHO/1003	June 2, 2010	Not Applicable
5.	Approval of the Central Government under section 2 of the Forest (Conservation) Act, for diversion of 0.1 ha of forest land for the 400 KV Vapi-Navi Mumbai transmission line in Gujarat.	6-GJB006/2010/BHO/1720	September 7, 2010	Not Applicable
6.	Approvals of the Central Government under section 2 of the Forest (Conservation) Act for diversion of 0.6 ha of forest land for the 400 KV Vapi-Navi Mumbai transmission line.	DNB171/2009-BHO/1628	August 18, 2010	Not Applicable

* After receipt of a compliance report from the state government with respect to the fulfilment of certain conditions, formal approval will be issued under section 2 of the Forest Conservation Act, by the Central Government. Pending the formal approval by the Central Government we cannot commence construction work in the areas designated in the in-principle approval.

Application

1. Application (No. WRTS-2/Surat/MTS/GN-51/9859) dated February 23, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 2.7 ha of forest land for the 400 KV Gandhar-Navsari Transmission Line.

33. Western Region System Strengthening Scheme – VI

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	February 8, 2007	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 0.2 ha of forest land for the 400 KV Pirana-Dehgam transmission line in Gandhinagar, Gujarat.	6-GJB157/2009/BHO/819	May 10, 2010	Not Applicable

34. Western Region System Strengthening Scheme – VII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	November 23, 2007	Not Applicable

35. Western Region System Strengthening Scheme – IX

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	September 25, 2007	Not Applicable

36. Transmission System associated with Mundra and Sasan Ultra Mega Power Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/04/07-PG	September 2, 2008	Not Applicable

Applications

1. Application (FCA-1010/3-03(10)/S.F-71/F) dated July 31, 2010 400 submitted to MoEF by the government of Gujarat for diversion of 44.3 ha of forest land for KV Mundra-Vadavi, Mundra-Limadi and Mundra-Jetpur Transmission Lines, pursuant to approval of the Supreme Court by order dated May 7, 2010 in Writ Petition No. 202 of 1995, based on which the Government of Gujarat has issued it approval by letter (No. WLP/382/32/8/2316-19/2010-11) dated July 3, 2010 for diversion of 241.6 ha passing though the wild ass sanctuary in Gujarat.

37. System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	December 3, 2008	Not Applicable

Applications

1. Application (No. F-4/12/21/2009/10-11/Vidut/2438) dated July 8, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 11.9 ha of forest land for the 765 KV Satna-Bina (Circuit – I and II) Transmission Line.

2. Application (No. WR-2/Satna/765KV/211) dated May 14, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 30.5 ha of forest land for the 765 KV Sasan-Satna Transmission Line-I.

3. Application (No. PG/Agra/Fatehpur-Agra) dated September 14, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 0.4 ha of forest land for the 765 KV Sasaram-Fatehapur Transmission Line (II).

4. Application (No. WR-2/SATNA/765KV/212) dated May 15, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 16.0 ha of forest land for the 765 KV Sasan-Satna Transmission Line-II.

38. Western Region System Strengthening Scheme – X

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	February 29, 2008	Not Applicable

39. Western Region System Strengthening Scheme – XI

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	February 10, 2009	Not Applicable

40. Transmission System associated with Korba – III (1 x 5,000 MW) Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	February 17, 2009	Not Applicable

Application

1. Application (No. WRTS-I/BSP/CON-148/6062) dated December 2, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 32.4 ha of forest land for the 400 KV Korba STPS-Raipur Transmission Line.

41. Transmission System associated with Mauda (2x 500 MW) Generation Project

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	November 13, 2009	Not Applicable

42. Split Bus arrangement and reconfiguration/Shifting of terminating line at 400 kV Raipur Substation

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/26/2009-PG	June 30, 2009	Not Applicable

43. Transmission System associated with Kaiga-3 & 4 (2x235 MW) Project

S. No.	Description	Reference Number	Issue Date	Expiry Date

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary MoP, conveying administrative approval and expenditure sanction of the President to the Feasibility Report	No.12/12/2003-PG	March 29, 2005.	Not applicable.
2	Approval under section 18-A of the Electricity (Supply) Act, 1948.	No. 11/4/2003-PG	March 13, 2003	Not applicable.
3.	Approval of the Central Government under section 2 of the Forest Conservation Act for diversion of 39.8 ha of forest land for the 400 KV transmission line from Mysore to Kozhikot in Kerala.	4-KLC244/2006-BAN.	June 25, 2007	Not applicable.

44. Transmission System associated with Chennai NTPC/TNEB JV TPS

S. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	April 12, 2007	Not applicable.

45. Transmission System Associated with Tuticorin JV TPS

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	April 27, 2007	Not Applicable

46. System Strengthening in Southern Region – IX

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	October 18, 2007	Not Applicable

47. System Strengthening in Southern Region – XI

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	June 17, 2008	Not Applicable

48. Transmission System associated with Kalpakkam PFBR (500 MW)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	March 18, 2005	Not Applicable

49. System Strengthening in Southern Region – X Grid

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under	11/4/07-PG	February 18,	Not

S. No.	Description	Reference Number	Issue Date	Expiry Date
	section 68 of the Electricity Act for installation of overhead lines.		2008	Applicable
2.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	July 29, 2008	Not Applicable

50. **<u>Transmission System associated with Simhadri – II Generation Project of NTPC Line connecting the generation to the Grid</u>**

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	February 18, 2008	Not Applicable

51. **<u>System Strengthening in Southern Region – XII</u>**

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	March 26, 2009	Not Applicable

52. **<u>Eastern Region Strengthening Scheme-I</u>**

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Under Secretary MoP, conveying administrative approval and expenditure sanction of the President to the implementation of Eastern Region Strengthening Scheme-I.	No.12/4/2005-PG	October 4, 2006	Not applicable.
2	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	June 3, 2005	Not applicable.
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 30.5 ha of forest land for the 400 KV Durgapur-Jamshedpur transmission line.	No. 5-WBC022/2008-BHU	March 24, 2010	Not applicable.
4.	Approval of the Central Government under section 2 of the Forest Conservation Act, 1980 for diversion of 2.6 ha of forest land for the 400 KV Durgapur-Jamshedpur transmission line.	No. 8-269/1998	February 10, 2010	Not applicable.
5.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 11.4 ha of forest land for the 400 KV Durgapur-Jamshedpur transmission line.	No. 5JHC062/2007-BHV	July 3, 2009	Not applicable.
6.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 54.4 ha of forest land for the 400 KV Jamshedpur-Badipada transmission line.	No. 8-39/2008-FC	February 20, 2009	Not applicable.
7.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 3.4 ha of forest land for the 400 KV Jamshedpur-Badipada transmission line.	No. 5-OEB082/2008-FCE	April 17, 2009	Not applicable.

Application

1. Application (No. E/RB/B-M/Forest/08/6163) dated February 28, 2008 for approval under section 2 of the Forest Conservation Act, for diversion of 20.81 ha of forest land for the 400 KV Baripada-Mendhasal Transmission Line.

53. Eastern Region Strengthening Scheme - II

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	October 19, 2006	Not Applicable

54. Transmission System for start up power for DVC and Maithon RB Generation

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	April 7, 2008	Not Applicable.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 108.5 ha of forest land for the 400 KV Biharshariff-Koderma transmission line.	8-75/2009-FC	September 21, 2010	Not Applicable.
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 2.1 ha of forest land for the 400 KV LILO Maithon-Jamshedpur transmission line at Mejia.	5-WBB031/2009-BHU	January 1, 2010	Not Applicable.

55. Transmission Scheme under the evacuation system for Nabinagar TPS (1,000 MW)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	November 10, 2008	Not Applicable

56. Transmission System for transfer of power from generation projects in Sikkim to NR/WR and Transmission System for development of pooling station in Northern part of West Bengal and transfer of power from Bhutan to NR/WR

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	August 18, 2009	Not Applicable

57. Transmission System for development of pooling stations in Sikkim and transfer of power to a new pooling station in Northern part of West Bengal/Bihar

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	September 5, 2008	Not Applicable

58. Eastern Regional Strengthening Scheme – III

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	February 26, 2010	Not Applicable

59. Transmission System for Phase – I generation projects in Odisha

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/2007-PG	February 15, 2010	Not Applicable

60. NER System Strengthening Scheme-I (Missing Link Transmission System in NER)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/2003-PG	May 18, 2006	Not Applicable.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act for diversion of 27.9 ha of forest land for the 132 KV (Single Circuit Line) of Khandong-Kopili transmission line.	3-ASC067/2008-SHI/238-40	May 18, 2009	Not Applicable.

61. Transmission System associated with Pallatana GBPP (740 MW) and Bongaigaon TPS (750 MW)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	February 24, 2009	Not Applicable

Applications

1. Application (No. NERNG/400KV/Construction/FP) dated February 2, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 1.8 ha of forest land for the 400 KV Bongaigaon TPS-Bongaigaon Line Transmission Line.

2. Application (No. NEAGT/PALLATANA-SMN/Forest/2010-11/151) dated August 21, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 3.9 ha of forest land for the 400 KV Pallatana-Surajmaninagar Transmission Line.

3. Application (No. NEAGT/TL-Construction/PALLATANA/Forest/2010-11/106) dated July 16, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 6.9 ha of forest land for the 400 KV Puba Kanchan Bari Transmission Line.

4. Application (No. NESL/400KV-TL/SM-17/16) dated August 30, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 18.4 ha of forest land for the 400 KV Silchar-Melriat Transmission Line.

5. Application (No. NEIP/05/Construction/2010-11/291) dated July 16, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 19.6 ha of forest land for the 400 KV Silchar-Imphal Transmission Line.

6. Application (No. NEMKG/TL/02) dated July 28, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 32.2 ha of forest land for the 220 KV Mariani (New)-Mokokchung (PG) Transmission Line.

7. Application (No. NEAZL/NEW/TL/2010/259) dated July 22, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 10.5 ha of forest land for the 132 KV Melriat (New)-Melriat (Mizo) Transmission Line.

9. Application (No. NERTEZ/2010-11/PRTL/Forest-Proposal/C03) dated September 14, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 68.4 ha of forest land for the 132 KV Pasighat-Roing Transmission Line.

10. Application (No. NERTEZ/2010-11/TRTL/Forest-Proposal/C-Nirjuli) dated July 26, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 109.9 ha of forest land for the 132 KV Roing-Tezu Transmission Line.

11. Application (No. NERTEZ/2010-11/TNTL/ForestProposal/C-Nirjuli) dated July 26, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 229.0 ha of forest land for the 132 KV Tezu-Namsai Transmission Line.

62. Northern Region System Strengthening- VII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	No. 11/16/2003-PG	March 29, 2006	MoP may withdraw the approval before the expiry of 3 years after giving one month notice.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 19.1 ha of forest land for the 400 KV Kankroli-Jodhpur transmission line.	No. 8B/RAJ/04/20/2009/FC/1981	March 25, 2010	Not applicable.
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.1 ha of forest land for the 400 KV LILO Kankroli-Zardha transmission line.	No. 8B/RAJ/04/24/2009/FC/431	July 9, 2009	Not applicable.
4.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 19.6 ha of forest land for the 400 KV LILO Ballabhgarh-Bhiwadi transmission line.	No. 9-HRC521/2009-CHA/812	March 26, 2010	Not applicable.

63. Northern Region System Strengthening Scheme – XXIII

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/1/08-PG	July 31, 2009	Not Applicable

64. Kundankulam Transmission System

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 2.1 ha of forest land for the 400 KV Admon-Muvattupuzha transmission line.	4-TNB378/2007-BAN	April 15, 2008	Not Applicable
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 47.7 ha of forest land for the 400 KV Tirunelveli-Admon transmission line.	8-47/2007-FC	April 22, 2008	Not Applicable
3.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.6 ha of forest land for the 400 KV Admon-Kochin transmission line.	4-KLB333/2007-BQN/405	March 24, 2009	Not Applicable.
4.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 1.1 ha of forest land for the 400 KV Muvattupuzha-North Trichur transmission line.	4-KLB187/2006-BAN/2149	March 13, 2008	Not Applicable.

65. Common Scheme for 765 KV pooling stations and network for NR (common for Sasan UMPP + NKP + Maithon/Kodermia/Mejia/Bokaro/Raghunathpur/Durgapur + Import by NR from ER and from NER/SR/WR/via ER) and Common Scheme for Network for WR (Common for NKP + Maithon/Kodermia/Mejia/Bokaro/Raghunathpur/Durgapur + Import by WR from ER and from NER/SR/WR via ER)

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/04/07-PG	April 7, 2008	Not Applicable.

Applications

1. Application (No. ER-I-400KV/Gaya/MGTL/ForestProposal/190) dated September 25, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 168.4 ha of forest land for the 400 KV Maithon-Gaya Transmission Line.

2. Application (No. ER-I/BXR/TL-Construction/W-21) dated December 1, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 0.5 ha of forest land for the 765 KV Gaya-Balia Transmission Line.

3. Application (No. ER-I/765KV/Gaya-SSR/TL/Forest) dated June 7, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 28.0 ha of forest land for the 765 KV Gaya-Sasaram Transmission Line.

4. Application (No. ER/NC/TLC/R-S-32/3983) dated August 3, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 12.6 ha of forest land for the 765 KV Ranchi-WR Pooling Station Transmission Line.

5. Application (No. NR-I/Lucknow/P/112/649) dated July 27, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 3.1 ha of forest land for the 765 KV Balia-Lucknow Transmission Line.

6. Application (No. E/RNC/TL-R(O-R)(N)/15) dated November 14, 2009 for approval under section 2 of the Forest Conservation Act, for diversion of 34.5 ha of forest land for the 400 KV Ranchi (New)-Ranchi Line-I Transmission Line and Ranchi(New)-Ranchi Line - II Transmission Line.

7. Application (No. ER-I/BXR-TL-Construction/W-21) dated May 4, 2010 for approval under section 2 of the Forest Conservation Act, for diversion of 1.9 ha of forest land for the 765 KV Gaya-Balia Transmission Line.

66. Establishment of 400/220 KV GIS Pooling Station near Chamera – II HEP

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/16/03-PG	November 4, 2007	Not Applicable

67. Transmission System Associated with Farakka-III

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	January 22, 2008	Not Applicable

68. 765 KV System for Central Part of Northern Grid – Part – II

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Prior approval of the Central Government under section 68 of the Electricity Act for installation of overhead lines.	11/4/07-PG	January 20, 2009	Not Applicable

Further, for details relating to regulatory approval under Regulation 24 read with Regulations 111 and 113 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Central Electricity Regulatory Commission (Open Access in Inter-State Transmission) Regulations, 2004 accorded to our Company by CERC for constructing nine high capacity power transmission corridors, see "***Regulations and Policies in India***" on page 118.

II. Approvals for our Joint Venture Projects

1. Powerlinks Transmission Limited

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission system associated with evacuation of power from Tala Hydroelectric Project in Bhutan, granted by CERC.	Nil	November 13, 2003	Unless revoked earlier, 25 years from the date of issue.

2. Torrent Power Transmission Private Limited

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission system associated with evacuation of power from 1,100 MW SUGEN Combined Cycle Power Project at Akhakhol, Gujarat, granted by CERC.	No.2/Transmission/CERC	May 16, 2007	Unless revoked earlier, 25 years from the date of issue.

3. Jaypee Power Grid Ventures Limited

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission system associated with evacuation of power from Karcham-Wangtoo HEP in Himachal Pradesh, granted by CERC.	No.3/Transmission/CERC	October 1, 2007	Unless revoked earlier, 25 years from the date of issue.
2.	Approval of the Central Government under section 2 of the Forest Conservation Act, for diversion of 322.8 ha of forest land for the 400 KV Karcham Wangtoo-Abdullapur transmission line.	8-18/2008-FC	July 21, 2009	Not Applicable

4. Parbati Koldam Transmission Company Limited

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission assets (Three Quad Moose Conductors and one Triple Snowbird Conductor), granted by CERC.	No.5/Transmission/CERC	September 15, 2008	Unless revoked earlier, 25 years from the date of issue.

5. Teestavalley Power Transmission Limited

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission assets for two transmission lines from Teesta-III to Mangan Pooling Station and from Mangan to the new pooling station at Kishanganj, granted by CERC.	No.8/Transmission/CERC	May 14, 2009	Unless revoked earlier, 25 years from the date of issue.

6. North East Transmission Company Limited

S.	Description	Reference Number	Issue Date	Expiry Date

No.				
1.	License under section 14 of the Electricity Act to transmit electricity as a transmission licensee and to construct, maintain and operate the transmission assets for two transmission lines from Palatana-Silchar and Silchar-Bongaigaon granted by CERC.	No.9/Transmission/CERC	June 16, 2009	Unless revoked earlier, 25 years from the date of issue.

III. Licenses and approvals for our telecommunication business

S. No.	Description	Reference Number	Issue Date	Expiry Date
1.	Letter from the Deputy Secretary, MoP, conveying administrative approval and expenditure sanction of the President of India to the establishment of Backbone Telecom Network.	No. 12/4/2000	March 12, 2003	Not applicable.
2.	Registration for Infrastructure Provider Category- I (IP-I) from Director (BS-III), Ministry of Communications and Information Technology, granting permission to establish and maintain the assets such as dark fibres, right of way, duct space and tower for granting them on lease/rent/sale basis to the licensees of telecom services licensed under section 4 of the Indian Telegraph Act.	No. 62/2002	November 7, 2002	Not applicable.
3.	License for installing, operating and maintaining the national long distance service network and providing national long distance service on a non-exclusive basis with in the territorial boundaries of India pursuant to the License Agreement dated July 5, 2006 entered into with the Director (BS-III), DoT.	No. 10-15/06-BS-I (NLD-05)	July 5, 2006	20 years, subject to extension of 10 years.
4.	License for maintaining and operating Internet Service on a non-exclusive basis in India pursuant to the License Agreement dated May 29, 2003 entered into with the Assistant Director General (LR V), DoT.	No. 820-709/2003-LR	May 29, 2003	15 years, subject to extension of 5 years.

IV. Central Sales Tax, General Sales Tax and Value Added Tax Registration Details

S. No.	Description	Reference Number	Issue Date	Expiry Date
Central Sales Tax Certificates				
1.	Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	AD 5129987	December 5, 1991	Valid until cancellation
2.	Registration under Section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	FBD/CST/1209404	July 21, 1993	Valid until cancellation
3.	Registration under section 7 (1) and 7 (2) the Central Sales Tax Act, 1956	CST/1422/01211	October 22, 1992	Valid until cancellation
4.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	309523	May 8, 2006	Valid until cancellation
5.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	HISSAR-23882	February 17, 1989	Valid until cancellation
6.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	5050542/CST	March 23, 1988	Valid until cancellation
7.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	CST-SIM-3945	September 21, 1995	Valid until cancellation
8.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	PJT/02/01/2534/91-92	September 4, 1991	Valid until cancellation
9.	Registration under section 7 (1) and 7 (2)	11858692	December 12,	Valid until

S. No.	Description	Reference Number	Issue Date	Expiry Date
	the Central Sales Tax Act, 1956		1991	cancellation
10.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	25117510	May 18, 1995	Valid until cancellation
11.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	16773/PRC	October 4, 2006	Valid until cancellation
12.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	208897	November 8, 1995	Valid until cancellation
13.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	2428(O)	November 14, 2006	Valid until cancellation
14.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	PR-1259	June 17, 1992	Valid until cancellation
15.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	194204	February 5, 1996	Valid until cancellation
16.	Registration under the Central Sales Tax (Registration and Turnover Rules), 1957	JBP-IV-PTN-1668	December 20, 2000	Valid until cancellation
General Sales Tax and Value Added Tax Certificates				
17.	Registration under the Delhi Value Added Tax Act, 2004	07680309140	May 12, 2006	Not applicable
18.	Registration under the Himachal Pradesh General Sales Tax Rules, 1969	GST-SIM-III-5654	September 21, 1995	Valid until cancellation
19.	Registration under the Andhra Pradesh General Sales Tax Act, 1957	PJT/02/1/2704/91-92	September 4, 1991	Valid until cancellation
20.	Value Added Tax Registration	28370137631	March 28, 2005	Not applicable
21.	Registration under the Kerala General Sales Tax Rules, 1963	25112510	September 13, 2004	Valid until cancellation
22.	Value Added Tax Registration	TIN-20350101624	August 31, 2006	Not applicable
23.	Registration under section 19 of the Bihar Value Added Tax Ordinance, 2005	TIN-10050053019	April 27, 2005	Not applicable
24.	Registration under the Arunachal Pradesh Sales Tax Act, 1999	12040084176/05	June 7, 2005	Valid until cancellation
25.	TAN granted under the Assam Value Added Tax Act, 2003	KJR/TAN 729	June 23, 2005	Not applicable
26.	Registration under the Assam Value Added Tax Rules, 2005	SLC/TAN 4440	August 16, 2006	Not applicable
27.	Registration under section 24 of the Nagaland Value Added Tax Act, 2005	13040108003	July 20, 2005	Not applicable
28.	Registration under the Manipur Value Added Tax Rule, 2005	14010121137	October 18, 2005	Not applicable
29.	Registration under section 16 of the Maharashtra Value Added Tax Act, 2002	TIN-27690279656 V	April 1, 2006	Not applicable
30.	Registration under the Sales Tax Act/VAT for Punjab	10590514	November 2, 2006	Not applicable

V. Other approvals and registrations

S.No.	Description	Reference	Issue Date	Expiry Date
1.	Registration under Section 69 of the Finance Act, 1994, for our Company's premises at B-9 Qutab Institutional Area, Katwaria Sarai, New Delhi.	DLIL/ST/CE/50/PGEIL/2004	March 11, 2004	Not applicable.
2.	Registration under section 69 of the Finance Act, 1994, for our	CE/BG.III/170/Power/2002	August 23, 2002	Not applicable.

S.No.	Description	Reference	Issue Date	Expiry Date
	Company's premises at Sahakara Bhavan No. 32, Race Course Road, Bangalore.			
3.	Registration under section 69 of the Finance Act, 1994, for our Company's premises at MCH Complex, Secunderabad.	C. Engg/Hyd. VII/5/98	June 19, 1998	Not applicable.
4.	Registration under Section 69 of the Finance Act, 1994, for our Company's premises at MCH Complex, Secunderabad.	AAACP0252GST004	October 9, 2003	Not applicable.
5.	Registration under section 69 of the Finance Act, 1994, for our Company's premises at Old Arunachal Pradesh Secretariat, G.S Road, Shillong, Meghalaya.	283/SH.CEX/S.TAX/2003	March 16, 2004.	Not applicable.
6.	Registration under section 69 of the Finance Act, 1994, for our Company's premises at Boring Road, Alankar Place, Patna, Bihar.	CE/BKP.II/08/PCIL/04	December 8, 2004.	Not applicable.
7.	Registration under section 69 of the Finance Act, 1994, for our Company's premises at Hemkunt Chambers, Nehru Place, New Delhi.	Consulting Engineer/DL/434/98	February 12, 1998	Not applicable.
8.	Registration under section 69 of the Finance Act, 1994, for our Company's premises at Chandigarh.	04/ST/Consult Engineer/STC/Chad/2001	January 24, 2001	Not applicable.
9.	Service Tax Code No. for our Company's premises at Sampriti Nagar Nari Ring Road, Nagpur, Maharashtra.	AAACP0252GST002	May 22, 2003.	Not applicable.
10.	Service Tax Code No. for our Company's premises at Bardhaman, West Bengal.	AAAC P0252GST009	January 21, 2005.	Not Applicable.
11.	Registration under sub-section 2 of section 7 of the CLRA for our Company's premises at Plot No. 2, Sector-29, Gurgaon, Haryana.	No. 46 (R-15) 2000 ALF	November 17, 2000	Not applicable.

S.No.	Description	Reference	Issue Date	Expiry Date
1.	Permanent Account Number ("**PAN**") issued by the Income Tax Department	AAACP0252G	October 23, 1989	Not applicable
2.	Registration with the Regional Provident Fund Commissioner, under the Employees Provident Funds and Miscellaneous Provisions Act, 1952, originally granted in the name of National Power Transmission Corporation Limited, subsequently amended to our Company's name.	E/DL/12882	November 1, 1991	Not applicable

VI. Trademark registrations

S.No.	Description	Reference	Date of Registration	Expiry Date
1.	Registration in Class 37 of trademark 'Powertel' issued by the Registrar of Trademarks, Trade Mark Registry, New Delhi with respect to telecommunication services	Trademark No. 1508692 Certificate No. 873108	March 31, 2010	Not Applicable

Application

1. Application dated March 22, 2007 to the Registrar of Trademarks, Trade Mark Registry, New Delhi, for trademark registration of the logo of our Company, in Classes 37, 38 and 42.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

- Our Board has authorized the Issue, pursuant to a resolution passed at its meeting held on July 2, 2010.

- Our shareholders have authorized the Issue, pursuant to a special resolution under section 81(1A) of the Companies Act, passed by way of a postal ballot, on October 8, 2010.

- The Selling Shareholder has approved the Issue and the Offer for Sale, by letter F. No. 11/10/2010-PG dated July 27, 2010.

- The Reserve Bank of India has approved the transfer of 420,884,123 Equity Shares of our Company in favor of residents outside India in the Offer for Sale, by letter (F.E.CO.FID No.7683/10.21.208/2010-11) dated September 28, 2010.

Prohibition by SEBI, RBI or Governmental authorities

Our Company, our Promoter and our Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. Neither our Promoter nor any of our Directors has been or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI.

Our Directors are not in any manner associated with the securities market and there has been no action taken by SEBI against our Directors or any entity in which any of our Directors is involved as a promoter or director.

Neither our Company, our Promoter nor our Directors, have been detained as willful defaulters by the RBI or any other government authorities. There are no violations of securities laws committed by any of them in the past, or pending against them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 27 read with Regulation 26(1) (d) and (e) of the SEBI Regulations, as described below:

(a) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of issue size is not expected to exceed five times the pre-Issue net worth of our Company as per our audited balance sheet of the preceding financial year; and
(b) Our Company has not changed its name within the last one year.

Accordingly, our Company is eligible to undertake the Issue under Regulation 27 read with Regulation 26(1) (d) and (e) of the SEBI Regulations.

In addition, in accordance with Regulation 26(4) of the SEBI Regulations, our Company will ensure that the number of Bidders to whom Equity Shares are Allotted in the Issue will 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 we become liable to repay it, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act.

Further, our Company is eligible to make a 'fast track issue' in accordance with Regulation 10 of the SEBI Regulations, as described below:

(a) The Equity Shares of our Company have been listed on BSE and NSE, which have nationwide trading terminals for a period of at least three years immediately preceding the date of registering this Red Herring Prospectus with the RoC;
(b) The average market capitalization of public shareholding of our Company is at least ₹ 50,000 million;
(c) Our public shareholding is less than 15% of our issued equity capital and the annualized trading turnover of our Equity Shares has been at least 2% of the weighted average number of Equity Shares available as free float during such six months' period;
(d) Our Company has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month of registering this Red Herring Prospectus with the RoC;
(e) Our Company has not complied with the Equity Listing Agreement relating to composition of board of directors for certain quarters during the last three years immediately preceding the date of registering this Red Herring Prospectus with the RoC, but is compliant with such provisions at the date of this Red Herring Prospectus, and adequate disclosures are made in this Red Herring Prospectus about such non-compliances during the three years immediately preceding the date of registering this Red Herring Prospectus with the RoC, and accordingly, our Company will be deemed compliant with the condition. Our Company was compliant with the Equity Listing Agreement from October 20, 2010, with the induction of four independent Directors on its Board. Adequate disclosure to this effect has been made in this Red Herring Prospectus;
(f) The impact of auditors' qualifications, if any, on the audited accounts of our Company in respect of those financial years for which such accounts are disclosed in this Red Herring Prospectus does not exceed 5% of the net profit or loss after tax of our Company for the respective years;
(g) No show-cause notices have been issued or prosecution proceedings initiated by SEBI or pending against our Company or its Promoter or whole time Directors as on the date of registering this Red Herring Prospectus with the RoC; and
(h) The entire shareholding of the Promoter of our Company is held in dematerialized form as on the date of registering this Red Herring Prospectus with the RoC.

Compliance with Part A of Schedule VIII of the SEBI Regulations, read with Part B of Schedule VIII of the SEBI Regulations

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI Regulations, read with Part B of Schedule VIII of the SEBI Regulations. No exemption from eligibility norms has been sought under Regulation 109 of the SEBI Regulations, with respect to the Issue. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED THAT IT HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING SBI CAPITAL MARKETS LIMITED, GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, ICICI SECURITIES LIMITED AND J.P. MORGAN INDIA PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI

(ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. AS THIS REQUIREMENT IS TO FACILITATE BIDDERS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, ICICI SECURITIES LIMITED AND J.P. MORGAN INDIA PRIVATE LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED OCTOBER 21, 2010 WHICH READS AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION SUCH AS COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC AND OTHER MATERIAL IN CONNECTION WITH THE FINALIZATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

2. **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 AND OTHER PAPERS FURNISHED BY THE COMPANY;**

   WE CONFIRM THAT:

   A. **THE RED HERRING PROSPECTUS IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   B. **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS ETC., FRAMED/ISSUED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

   C. **THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE BIDDERS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, AND THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, EACH, AS AMENDED, AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND UNTIL DATE SUCH REGISTRATION IS VALID;**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS; NOTED FOR COMPLIANCE.**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS - NOT APPLICABLE;**

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE RED HERRING PROSPECTUS - NOT APPLICABLE;**

7. **WE UNDERTAKE SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WILL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION WILL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT WILL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION WILL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND WILL BE RELEASED TO THE COMPANY, WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE;**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE 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;**

9. **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, AND THAT SUCH MONEYS WILL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS/ALLOTMENT OF EQUITY SHARES PURSUANT TO THE ISSUE. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE;**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE RED HERRING PROSPECTUS THAT THE BIDDERS WILL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – <u>NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN ₹ 100 MILLION, THEREFORE, UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE OFFERED IN DEMAT ONLY;</u>**

11. **WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE BIDDER TO MAKE A WELL INFORMED DECISION;**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RED HERRING PROSPECTUS:**

    a. **AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME THERE WILL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY; AND**

    b. **AN UNDERTAKING FROM THE COMPANY THAT IT WILL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME;**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE; <u>COMPLIED WITH AND NOTED FOR COMPLIANCE.</u>**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER, ETC;**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY;**

16. **WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY;**

17. **WE CONFIRM THAT THE COMPANY IS ELIGIBLE TO MAKE FAST TRACK ISSUE IN TERMS OF REGULATION 10 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION, BY THE COMPANY, HAS ALSO BEEN DISCLOSED IN THE RED HERRING PROSPECTUS;**

18. **WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THE RED HERRING PROSPECTUS AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE WILL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN; COMPLIED WITH AND NOTED FOR COMPLIANCE**

19. **WE CONFIRM THAT THE ABRIDGED PROSPECTUS CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009; NOTED FOR COMPLIANCE;**

20. **WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALIZATION OF THE SPECIFIED SECURITIES OF THE COMPANY; AND**

21. **WE CERTIFY THAT AS PER THE REQUIREMENTS OF THE FIRST PROVISO TO SUB-REGULATION (4) OF REGULATION 32 OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE RED HERRING PROSPECTUS AND THE PROSPECTUS. COMPLIED WITH AND NOTED FOR COMPLIANCE**

The filing of this Red Herring Prospectus with the RoC does not absolve our 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 this Red Herring Prospectus.

Disclaimer from our Company, the Selling Shareholder, the Directors and the Syndicate

Our Company, the Selling Shareholder, the Directors and the Syndicate accept no responsibility for statements made otherwise than those contained in this Red Herring Prospectus or in any advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website at www.powergridindia.com, or the website of its subsidiaries, or of any affiliate or associate of our Company or its subsidiaries, would be doing so at his or her own risk.

Caution

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement and the underwriting agreement to be entered into between the Underwriters, our Company, the Selling Shareholder and the Registrar to the Issue.

All information will be made available by our Company, the Selling Shareholder and the BRLMs to the Bidders and the public at large and no selective or additional information will be made available for a section of the Bidders or the public, in any manner whatsoever, including at road show presentations, in research or sales reports, at Bidding centres or elsewhere.

Neither our Company, the Selling Shareholder nor any member of the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder and 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 and will not issue, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire Equity Shares.

Each of the BRLMs and their respective affiliates may engage in transactions with, and perform services for, our Company, Subsidiaries or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Company, Subsidiaries or affiliates, for which they have received, and may in the future receive, compensation.

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 applicable laws in India and authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their respective constitutions to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996 ("**VCFs**"), FVCIs, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, National Investment Fund , insurance funds set up and managed by army, navy or air force of Union of India and permitted Non-Residents including FIIs and Eligible NRIs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Red Herring Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus or the 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 will be required for that purpose. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained here is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 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) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Our Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance on Section 3(c) (7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A and referred to in this Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Red Herring Prospectus as "QIBs") that are also "qualified purchasers" (QPs) (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth here), in reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance on Section 3(c) (7) of the U.S. Investment Company Act and (ii) outside the United States to non-U.S. persons in reliance on Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required must agree in terms of the allocation advice, that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to the BSE. BSE has given, by its letter No. DCS/IPO/NP/IPO-IP/1239/2010-11 dated October 21, 2010, permission to our Company to use BSE's name in this offer document as one of the stock exchanges on which our securities are listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that this offer document has not been cleared or approved by the BSE. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
(ii) warrant that our 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 our Company, its Promoter, its management or any scheme or project of our Company.

and it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the 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.

Disclaimer Clause of the NSE

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has given, by its letter No. NSE/LIST/149822-R dated October 21, 2010 permission to our Company to use NSE's name in this offer document as one of the stock exchanges on which our securities are listed. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the offer document 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 offer document; 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 our Company, its promoters, its management or any scheme or project of our 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.

Filing

A copy of this Red Herring Prospectus will be filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of this Red Herring Prospectus, with the other documents required to be filed under Section 60B of the Companies Act, will be delivered for registration with the RoC at the office of the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with the RoC at the following address of the RoC:

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

Listing

The Equity Shares of our Company are listed on NSE and BSE. Applications have been made to the Stock Exchanges to use their respective names in this Red Herring Prospectus. NSE through its letter dated October 21, 2010 and BSE through its letter dated October 21, 2010 granted approval for the use of their respective names in this Red Herring Prospectus. NSE will be the Designated Stock Exchange, with which the basis of allocation will be finalized for the Issue.

If the permission to deal in and for an official quotation of our Equity Shares in terms of the Fresh Issue, is not granted by either of the Stock Exchanges, we will forthwith repay, without interest, all moneys received from the Bidders in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it, our Company and every officer in default will, on and from the expiry of eight days, be jointly and severally liable to repay such application money, with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholder will ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid Closing Date.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68A 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 the Selling Shareholder, our Directors, our Company Secretary and Compliance Officer, members of the Syndicate, Registrar to the Issue, Bankers to the Issue, Domestic Legal Counsel to our Company and the Selling Shareholder, Domestic Legal Counsel to the Underwriters, International Legal Counsel to our Company and the Selling Shareholder, International Legal Counsel to the Underwriters, Bankers to our Company and lenders to our Company (where such consent is required), the Monitoring Agency and project appraising entities with respect to the respective Identified Projects, each as referred to in this Red Herring Prospectus, in their respective capacities, has been obtained and will be 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 will not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

Further, in accordance with the Companies Act and the SEBI Regulations, A.R. & Company, Chartered Accountants, Umamaheshwara Rao & Co., Chartered Accountants and S R I Associates, Chartered Accountants, have agreed to provide their written consent to the inclusion of their report on the financial statements and the statement of general tax benefits, in the form and context in which they appear in this Red Herring Prospectus, and such consent and report will not be withdrawn up to the time of delivery of the Prospectus to the RoC.

Expert opinion

Except for the report of our Auditors on the audited financial information and the Statement of General Tax Benefits included in this Red Herring Prospectus, our Company has not obtained any expert opinion.

Issue related expenses

The estimated Issue expenses are as under:

S. No.	Activity Expense	Amount	Percentage of	Percentage

		(₹ million)	Total Estimated Issue Expenditure	of Issue Size
1.	Fees, underwriting commission, brokerage and selling commission paid to the BRLMs*	[●]	[●]	[●]
2.	Fees payable to the SCSBs*	[●]	[●]	[●]
3.	Fees of the Registrar to the Issue*	[●]	[●]	[●]
4.	Fees of Advisors to the Issue*	[●]	[●]	[●]
5.	Fees to the Bankers to the Issue*	[●]	[●]	[●]
6.	Other Expenses (Auditors' fees, listing fees, advertisement and marketing expenses, roadshow expenses, etc.) *	[●]	[●]	[●]
	Total	**[●]**	**[●]**	**[●]**

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

Other than listing fees in respect of the Equity Shares offered in the Fresh Issue, which will be borne by our Company, the above-mentioned Issue expenses will be borne by our Company and the selling Shareholder, in proportion to the number of Equity Shares offered and sold by them in this Issue in the Fresh Issue and the Offer for Sale, respectively.

Fees, Brokerage and Selling Commission

The details of fee, underwriting and selling commission and brokerage payable to the members of the Syndicate will be as stated in the engagement letters with the BRLMs, issued by our Company, copies of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm during the Bidding Period.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue by the Selling Shareholder for processing of application, data entry, printing of allocation advice or refund orders, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated October 20, 2010 signed with our Company and the Selling Shareholder, a copy of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm during the Bidding Period.

Particulars regarding Public or Rights Issues during the last five years

In 2007, our Company made an IPO of 573,932,895 Equity Shares for cash at a price of ₹ 52 per Equity Share (including a premium of ₹ 42 per Equity Share) aggregating to approximately ₹ 29,844.5 million, through a prospectus dated September 19, 2007. The IPO comprised a fresh issue of 382,621,930 Equity Shares and an offer for sale of 191,310,965 Equity Shares by our Promoter. Further, the IPO comprised a net issue of 559,954,895 Equity Shares to the public and a reservation of 13,978,000 Equity Shares for subscription by certain eligible employees. The IPO opened on September 10, 2007 and closed on September 13, 2007. Allotment of Equity Shares and dispatch of refunds pursuant to the IPO was made on September 28, 2007. The actual issue expenses for the IPO aggregated to ₹ 282.1 million. Our Company's share of the proceeds of the IPO, after deducting issue expenses and the proceeds of the offer for sale, aggregated to approximately ₹ 19,657.6 million. The listing of our Equity Shares pursuant to the IPO took place on October 5, 2007.

Previous issues of Equity Shares otherwise than for cash

Except as disclosed in "***Capital Structure***" on page 32, our Company has not issued any Equity Shares for consideration other than cash.

Underwriting Commission, Brokerage and Selling Commission on Previous Issues

The aggregate of underwriting, brokerage and selling commissions paid in relation to the IPO of our Company was approximately ₹ 282.1 million, which was included in the total issue expenses mentioned above.

Promise v/s performance - Last One Issue of Subsidiaries, Associate Companies

The objects of the IPO were to (a) meet capital requirements for implementation of certain identified transmission projects, and (b) for general corporate purposes. The amount raised from the IPO has been fully utilized by our Company for the aforesaid objects, as stated in the Prospectus dated September 19, 2007.

None of our subsidiaries has made any public issue of its equity shares.

Outstanding Debentures or Bond Issues or Preference Shares

Except as stated in "***Financial Indebtedness***" on page 282, our Company has no outstanding debentures or bonds as on date of this Red Herring Prospectus.

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 the Equity Shares

See "***Stock Market Data for Equity Shares of our Company***" on page 297.

Other Disclosures

The Selling Shareholder and our Directors have not purchased or sold or financed any purchase or sale of securities of our Company, during a period of six months preceding the date of this Red Herring Prospectus.

SEBI has not initiated any action against any entity related to the securities market, with which our Directors are associated.

Status of Investor Complaints

Our Company received a total of 38,978 investor complaints in the three years preceding the date of this Red Herring Prospectus. All investor complaints received by our Company since the IPO have been appropriately disposed of. For the quarter ended September 30, 2010, there were a total of 30 complaints received against our Company, which were subsequently attended to and suitably disposed off and there were no complaints pending for more than 30 days.

Mechanism for Redressal of Investor Grievances

The agreement dated October 20, 2010 between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least three year from the last date of dispatch of allocation advice or refund orders or demat credit or, where refunds are being made electronically, issuance of refund instructions to the clearing system, to enable Bidders to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, Bid cum Application Form number, number of Equity Shares Bid for, amount paid on submission of the Bid, name of the Depository Participant, and the Designated Branch or collection centre where the Bid cum Application Form was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB, giving full details such as name, address of the Bidder, number of Equity Shares Bid for, amount paid on submission of the Bid cum Application Form and, in case of physical ASBA Bid cum Application Forms, the relevant Designated Branch or collection centre of SCSB where such physical ASBA Bid cum Application Form was submitted.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by our Company or the Registrar to the Issue for redressal of routine investor grievances will be 10 Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mrs. Divya Tandon as the Compliance Officer and, in case of any pre-Issue or post-Issue-related problems, she may be contacted at the following address:

Mrs. Divya Tandon
Power Grid Corporation of India
'Saudamini'
Plot No. 2, Sector 29,
Gurgaon
Haryana 122 001, India
Telephone: + 91 (11) 2656 0112
Facsimile: + 91 (11) 2656 4849
E-mail: investors@powergridindia.com

Disposal of investor grievances by listed companies under the same management as our Company

There is no listed company under the same management as our Company.

Change in Auditors in the past three years

There has been no change in the Auditors in the past three years.

Capitalization of Reserves or Profits

Our Company has not undertaken any capitalization of reserves or profits since incorporation.

Revaluation of Assets

Our Company has not revalued its assets since its incorporation.

SECTION VII – ISSUE RELATED INFORMATION

ISSUE STRUCTURE

The Issue of 841,768,246 Equity Shares of face value ₹ 10 each, at an Issue Price of ₹ [●] for cash, including a premium of ₹ [●] per Equity Share, aggregating ₹ [●] million is being made through the Book Building Process. The Issue comprises a Fresh Issue of 420,884,123 Equity Shares by our Company and an Offer for Sale of 420,884,123 Equity Shares by the Selling Shareholder. The Issue will constitute 18.18% of the post-Issue equity share capital of our Company and the Net Issue will constitute 18.1% of the post-Issue equity share capital of our Company. The Issue comprises a Net Issue of 838,378,646 Equity Shares to the public and a reservation of 3,389,600 Equity Shares for Eligible Employees.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Bidders
Number of Equity Shares available for allocation[2]	3,389,600 Equity Shares	Up to 419,189,323 Equity Shares, or Net Issue less allocation to Non-Institutional Bidders and Retail Bidders	Not less than 125,756,797 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Bidders	Not less than 293,432,526 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for allocation	Up to 0.40% of the Issue. The Employee Reservation Portion comprises approximately 0.01% of our Company's post-Issue capital*	Up to 50% of the Net Issue will be available for allocation to QIBs. However, 5% of the QIB Portion will be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Fund portion will be available for allocation to QIBs	Not less than 15% of the Issue or Net Issue size less allocation to QIB Bidders and Retail Bidders	Not less than 35% of the Net Issue available for allocation or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of allocation if respective category is oversubscribed	Proportionate.	Proportionate as follows: (a) 20,959,467 Equity Shares will be available for allocation on a proportionate basis to Mutual Funds; and (b) 398,229,856 Equity Shares will be available for allocation on a proportionate basis to QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares, adjusted based on Issue Price	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 100,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 100,000	[●] Equity Shares

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Bidders
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the maximum Bid by each Eligible Employee in this portion does not exceed ₹ 100,000	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 ₹ 100,000
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Eligible Employees	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, VCFs and FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority ("**IRDA**"), provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual	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 ₹ 100,000 in value

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Bidders
		November 23, 2005 of GoI published in the Gazette of India.		
Terms of Payment	The entire Bid Amount will be payable at the time of submission of the Bid. In case of ASBA Bidders, the SCSB will be authorized to block such funds in the relevant ASBA Account.			

[1] *The Issue is being made though the Book Building Process, where up to 50% of the Net Issue will be available for allocation to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Issue Price. Any unsubscribed portion in the Employee Reservation portion will be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription will be permitted from the Employee Reservation portion to the Net Issue to the public. Any under-subscription in any category will be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs, and the Designated Stock Exchange.*

* *Any undersubscribed portion in the Employee Reservation Portion will be added to the Net Issue. In case of under-subscription in the Net Issue, spillover to the extent of under subscription will be permitted from the Employee Reservation Portion to the Net Issue.*

Retail and Employee Discount

A discount of 5% of the Issue Price determined pursuant to completion of the Book Building Process is proposed to be offered to Retail Bidders (the "**Retail Discount**") and Eligible Employees (the "**Employee Discount**"). Retail Bidders and Eligible Employees Bidding at a price within the Price Band have to make payment based on their highest bid price option. Retail Bidders and Eligible Employees Bidding at Cut-Off Price have to ensure payment at the Cap Price.

Retail Bidders and Eligible Employees should note that discount is not offered on application but on Allotment. The excess amount paid on application will be refunded to such Bidders or unblocked from their ASBA Accounts, as the case may be, after Allotment.

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid Opening Date but before Allotment. If our Company and the Selling Shareholder withdraw the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company and the Selling Shareholder withdraw the Issue after the Bid Closing Date and thereafter determine that they will proceed with a further public offering of Equity Shares, they will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

Notwithstanding the foregoing, the Issue is subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges with respect to the Equity Shares issued in the Fresh Issue, which our Company will apply for only after Allotment and within 12 Working Days of the Bid Closing Date; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

BIDDING PROGRAMME

<table>
<tr><th colspan="4">BIDDING PROGRAMME</th></tr>
<tr><td rowspan="2">BID OPENS ON</td><td rowspan="2">NOVEMBER 9, 2010</td><td>BID CLOSES ON (FOR QIB BIDDERS)</td><td>NOVEMBER 11, 2010</td></tr>
<tr><td>BID CLOSES ON (FOR ALL OTHER BIDDERS)</td><td>NOVEMBER 12, 2010</td></tr>
</table>

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period at the Bidding centers mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches, **except that on the Bid Closing Date (which for QIBs will be a day prior to the Bid Closing Date for other non-QIB Bidders), Bids will be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders, Retail Bidders and Eligible Employees; and until (ii) 4.00 p.m. for Non-Institutional Bidders. Due to limitation of time available for uploading the Bids on the Bid Closing Date, Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Bid Closing Date and no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders other than QIB Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will be accepted only on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).

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

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period, in accordance with the SEBI Regulations. The upper end of the Price Band will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band may move up or down to the extent of 20% of the lower end of the Price Band as disclosed at least one Working Day prior to the Bid Opening Date and the upper end of the Price Band will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and intimation to SCSBs.

TERMS OF THE ISSUE

The Equity Shares offered and sold in the Issue will be subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, the Equity Listing Agreement, the terms of this Red Herring Prospectus and the Prospectus, the Bid cum Application Form (including the ASBA Bid cum Application Form), the Revision Form, and other terms and conditions as may be incorporated in the allocation advice and other documents and certificates that may be executed in respect of the Issue. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue and sale of capital and listing of securities, issued from time to time, to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered and sold in the Issue will rank *pari passu* with the existing Equity Shares of our Company, including in respect of dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. See "***Main Provisions of the Articles of Association***" on page 408.

Mode of Payment of Dividend

Our Company will pay dividend, if declared, to our Equity Shareholders, as per the provisions of the Companies Act, the Equity Listing Agreement, our Memorandum of Association and Articles of Association, and any guidelines or directives that may be issued by the GoI in this respect. See "***Dividend Policy***" on page 183.

Face Value and Price Band

The face value of each Equity Share is ₹ 10. At any given point of time there will be only one denomination for the Equity Shares.

The Price Band, Retail Discount, Employee Discount and the Minimum Bid Lot will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and published by our Company at least one Working Day prior to the Bid Opening Date, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

Compliance with SEBI Requirements

Our Company will comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable law, the Equity Shareholders will 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 any surplus on liquidation subject to any statutory and preferential claims being satisfied;

- Right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and

- Such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Equity Listing Agreement and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see "***Main Provisions of Our Articles of Association***" on page 408.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares will be Allotted only in dematerialized form. As per the SEBI Regulations, the trading of our Equity Shares will only be in dematerialized form. Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in the Issue will be only in electronic form in multiples of one Equity Share, subject to a minimum Allotment of [•] Equity Shares.

The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and published by our Company at least one Working Day prior to the Bid Opening Date, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship.

Nomination Facility

In accordance with Section 109A of the Companies Act, the sole or first Bidder, with other joint Bidders, may nominate any one person in whom, in the event of the 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, will vest. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. 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 the holder's death during minority. A nomination will stand rescinded on 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 our Registered Office or Corporate Office or with the Registrar to the Issue.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, will on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or

- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the 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, the Board may thereafter withhold payment of all dividend, 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 dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

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</table>

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Fresh Issue, including through the devolvement to the Underwriters, as applicable, within 60 days from the Bid Closing Date, our Company will refund the entire subscription amount received within 70 days from the Bid Closing Date. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company and every officer in default will, on and from the expiry of this period, be jointly and severally liable to pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Regulation 26(4) of the SEBI Regulations, our Company will ensure that the number of Bidders to whom the Equity Shares are Allotted in the Issue will be not less than 1,000.

Jurisdiction

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

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 (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any applicable state securities laws in the United States. Accordingly, the Equity Shares are being offered and sold only (i) to 'qualified institutional buyers' (as defined under Rule 144A of the Securities Act) in the United States in transactions exempt from registration under the Securities Act; and (ii) outside the United States 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. In addition, until 40 days after the commencement of the Issue, an offer or sale of the Equity Shares within the United States by any dealer (whether or not participating in the Issue) may violate the registration requirements of the Securities Act.

Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on Transfer of Shares

Except for lock-in of the Promoter's post-Issue equity shareholding in the Issue as detailed in *"**Capital Structure**"* on page 32 and as provided in our Articles as detailed in "***Main Provisions of our Articles of Association***" on page 408, there are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting.

Option to receive Equity Shares in Dematerialized Form

Allotment of Equity Shares to successful Bidders will only be in the dematerialized form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialized segment of the Stock Exchanges.

ISSUE PROCEDURE

This section applies to all Bidders. All Bidders may participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to them before submitting a Bid through the ASBA process. All Bidders are required to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount at the time of submission of the Bid.

Our Company, the Selling Shareholder, and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Red Herring Prospectus.

Book Building Procedure

The Issue is being made through the Book Building Process where up to 50% of the Net Issue will be available for allocation to QIBs on a proportionate basis. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Any under-subscription in the Employee Reservation category will be added to the Net Issue. Any under-subscription in any other category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

Any Bidder may participate in the Issue through the ASBA process by providing the details of the ASBA Account in the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the SCSBs. All Bidders other than ASBA Bidders are required to submit their Bids through the members of the Syndicate, or their associates.

In the case of QIB Bidders, our Company and the Selling Shareholder may, in consultation with the BRLMs, reject their Bids at the time of acceptance of the Bid cum Application Form, provided that reasons for such rejection will be provided in writing. In case of Non Institutional Bidders and Retail Bidders, our Company and the Selling Shareholder will have the right to reject the Bids only on technical grounds, as mentioned in this Red Herring Prospectus.

Allotment to successful Bidders will be only in the dematerialized form. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.

Bid cum Application Forms which do not contain the details of the Bidders' depository accounts including Depository Participant Identity ("DP ID"), PAN and Beneficiary Account Number ("BAN") will be treated as incomplete and rejected.

Bidders must ensure that the PAN (of the sole/first Bidder) provided in the Bid cum Application Form is exactly the same as the PAN of the person(s) in whose name the relevant beneficiary account is held. If the Bid cum Application Form is submitted in joint names, Bidders must ensure that the beneficiary account is held in the same joint names in the same sequence in

which they appear in the Bid cum Application Form.

Bidders can Bid at any price within the Price Band. The Price Band, Retail Discount, Employee Discount and the Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and advertised in the Mumbai and Delhi editions of the *Financial Express* and the Delhi edition of the *Jansatta* at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

Bid cum Application Form

Copies of the Bid cum Application Form and this Red Herring Prospectus will be available for all categories of Bidders, with the members of the Syndicate and from our Registered Office and our Corporate Office. ASBA Bid cum Application Forms in physical form will be available with the Designated Branches, and electronic ASBA Bid cum Application Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Bid Opening Date. Further, the SCSBs will ensure that the abridged prospectus is made available on their websites.

Bidders should use only the specified Bid cum Application Form bearing the stamp of a member of the Syndicate or a Designated Branch (except in case of electronic ASBA Bid cum Application Forms), as the case may be, for the purpose of making a Bid in terms of this Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form (except in relation to ASBA Bidders) will be serially numbered. ASBA Bidders should submit the ASBA Bid cum Application Form either in physical form with a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding), authorizing the SCSB to block funds equal to the Bid Amount in the ASBA Accounts.

The Bid cum Application Form will contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders will have the option to make a maximum of three Bids in the Bid cum Application Form and such options will not be considered multiple Bids.

On determination of the Issue Price and on the filing of the Prospectus with the RoC, the Bid cum Application Form will be treated as a valid application form. On completion and submission of the Bid cum Application Form to a member of the Syndicate, and in the case of an ASBA Bid cum Application Form, either in physical form to a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding), the Bidder is deemed to have authorized our Company to make the necessary changes in the Bid cum Application Form as may be required under the SEBI Regulations and other applicable law, for filing the Prospectus with the RoC and as required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colors of the Bid cum Application Forms for various categories are as follows:

Category	Color of Bid cum Application Form including ASBA Bid cum Application Form*
Resident Indians and Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees Bidding in the Employee Reservation Portion	White
Non-Residents and Eligible NRIs, FVCIs and FIIs applying on a repatriation basis	Blue
Eligible Employees Bidding in the Employee Reservation Portion	Pink

**Excluding electronic ASBA Bid cum Application Forms.*

Who can Bid?

(i) Indian nationals resident in India, who are not (or are not Bidding in the name of) minors or persons otherwise incompetent to contract, in single or joint names (not more than three);
(ii) Hindu Undivided Families ("**HUFs**"), in the individual name of the *Karta*. Such Bidders 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 will be considered at par with those from individuals;
(iii) Companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;
(iv) Foreign corporates or individuals Bidding in the QIB Portion, in accordance with all applicable law;
(v) Mutual Funds registered with SEBI;
(vi) Eligible NRIs (whether on a repatriation basis or on a non-repatriation basis), subject to applicable law;
(vii) Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI Regulations and other applicable law);
(viii) FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, Bidding in the QIB Portion;
(ix) Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals, Bidding in the Non-Institutional Portion;
(x) VCFs registered with SEBI;
(xi) FVCIs registered with SEBI;
(xii) State industrial development corporations;
(xiii) Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;
(xiv) Scientific and/or industrial research organizations in India, which are authorized to invest in equity shares;
(xv) Insurance companies registered with the IRDA;
(xvi) Provident funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
(xvii) Pension Funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
(xviii) National Investment Fund;
(xix) Insurance funds set up and managed by the army, navy or air force of the Union of India;
(xx) Multilateral and bilateral development financial institutions;
(xxi) Eligible Employees; and
(xxii) Any other persons eligible to Bid in this Issue, under the laws, rules, regulations, guidelines and polices applicable to them.

Bids by Mutual Funds

As per the SEBI Regulations, 5% of the QIB Portion is reserved for allocation to Mutual Funds, on a proportionate basis. An eligible Bid by a Mutual Fund will first be considered for allocation proportionately in the Mutual Fund Portion. If demand in the Mutual Fund Portion is greater than 20,959,467 Equity Shares, allocation will be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds will be available for allocation proportionately in the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

No Mutual Fund scheme may 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% will not apply to investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own more than 10% of any company's paid-up share capital carrying voting rights.

A separate Bid may be submitted by each scheme of a Mutual Fund, and such Bids by more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that the Bid cum Application Form clearly indicates the scheme for which the Bid is submitted. Bids by asset management companies or custodians of Mutual Funds should clearly provide the name of the concerned scheme for which the Bids are submitted.

Multiple Bids

In case of a Mutual Fund, a separate Bid may be made in respect of each scheme of a Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that such Bids clearly provide the name of the scheme for which the Bid is submitted.

Bids by Eligible NRIs and FIIs, VCFs and FVCIs registered with SEBI

There is no reservation in the Issue for Eligible NRIs or FIIs, VCFs or FVCIs registered with SEBI. Eligible NRIs and FIIs, VCFs or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation. As per regulations issued by the RBI, OCBs cannot participate in the Issue.

Bids by Eligible NRIs

Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis may make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their Non-Resident External ("**NRE**") or Foreign Currency Non-Resident ("**FCNR**") accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs Bidding on a repatriation basis should use the Bid cum Application Form meant for Resident Indians (Blue in color), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Bids by non-resident Bidder Bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("**NRO**") accounts.

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our Company's post-Issue capital (i.e., 462,972,535 Equity Shares), provided that such allocation will not exceed the number of Equity Shares available for allocation in the QIB Portion. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account will not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to our Company, the total foreign investment including FII investment cannot exceed 24% of our total issued capital unless approved by the shareholders of our Company. With the approval of our Board and a special resolution of our Equity Shareholders, the FII investment limit may be raised up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, offshore derivative instruments (defined under the

SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority in the country of their incorporation or establishment; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons not regulated by an appropriate foreign regulatory authority as defined under the SEBI Regulations. Associates and affiliates of the Underwriters, including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on, or interest in, our Company and the Selling Shareholder.

Bids by SEBI-registered VCFs and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, each, as amended, prescribe investment restrictions on VCFs and FVCIs, respectively, registered with SEBI. Accordingly, the holding in any company by any individual VCF or FVCI registered with SEBI should not exceed 25% of the corpus of the VCF or FVCI. However, VCFs or FVCIs may invest not over 33.33% of their respective investible funds in various prescribed instruments, including in public offerings.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent and full-time employee of our Company and that of our Subsidiaries or a Director of our Company (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of this Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form and who continue to be in the employment of our Company or the Subsidiaries or Directors of our Company, as the case may be, until submission of the Bid cum Application Form. An employee of our Company or Subsidiaries who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will also be deemed a 'permanent employee'.

Bids under Employee Reservation Portion by Eligible Employees will be subject to the following:

(i) Bid may be submitted only in the prescribed Bid cum Application Form or Revision Form (i.e., Pink color form).

(ii) Only Eligible Employees (as defined in this Red Herring Prospectus) are eligible to Bid for Equity Shares in the Issue in the Employee Reservation Portion.

(iii) Eligible Employees should provide the PAN and Employee Number in the relevant space in the Bid cum Application Form.

(iv) The sole/first Bidder will be the Eligible Employee as defined above.

(v) Only those Bids, which are received at or above the Issue Price, will be considered for allocation in the Employee Reservation Portion.

(vi) The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount does not exceed ₹ 100,000.

(vii) Eligible Employees who Bid for Equity Shares in the Employee Reservation Portion can apply 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 ₹ 100,000.

(viii) Eligible Employees may also Bid in the Net Issue portion, i.e., not in the Employee Reservation Portion, and such Bids will not be treated as multiple Bids.

(ix) If the aggregate demand in this category is less than or equal to 3,389,600 Equity Shares at or above the Issue Price, full allocation will be made to the Eligible Employees to the extent of their demand. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription will be permitted from the Employee Reservation Portion to the Net Issue to the public. Any under-subscription in any category will be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

(x) If the aggregate demand in this category is greater than 3,389,600 Equity Shares at or above the Issue Price, the allocation will be made on a proportionate basis. For the method of proportionate basis of allocation, see "***—Basis of Allocation***" on page 397.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of ₹ 250 million and pension funds with a minimum corpus of ₹ 250 million (in each case, subject to applicable law and in accordance with their respective constitutional documents), a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, with a certified copy of the memorandum of association and articles of association and/or bye laws, as applicable, must be lodged 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.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(i) With respect to Bids by FVCIs, VCFs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged with the Bid cum Application Form.

(ii) With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.

(iii) With respect to Bids made by provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged with the Bid cum Application Form.

Our 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 with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholder, and the BRLMs deem fit, without assigning any reasons therefor.

Maximum and Minimum Bid Size

(i) ***For Retail Bidders***: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 100,000. In case of revision of Bids, Retail Bidders should ensure that the Bid Amount does not exceed ₹ 100,000. If the Bid Amount is more than ₹ 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional portion. The option to Bid at the Cut-Off Price is available only to Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion, where the Bid Amount does not exceed ₹ 100,000, indicating their agreement to Bid and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(ii) ***For Other Bidders (Non-Institutional Bidders and QIBs)***: The Bid must be for a minimum of such number of Equity Shares in multiples of [•] such that the Bid Amount exceeds ₹ 100,000. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them under applicable law.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than ₹ 100,000 for being considered for allocation in the Non-Institutional Portion. If the Bid Amount reduces to ₹ 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion will be considered for allocation in the Retail portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price. **A QIB Bidder cannot withdraw its Bid after the Bid Closing Date.**

(iii) ***For Bidders in the Employee Reservation Portion***: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 100,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Employee Discount will be applicable to all Eligible Employees Bidding in the Employee Reservation Portion. The option to Bid at the Cut-Off Price is given only to the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion, indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process.

For more information, see " ***– Payment of Refunds***" on page 402.

Information for the Bidders:

(i) This Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid Opening Date.

(ii) Copies of the Bid cum Application Form and this Red Herring Prospectus will be available with the members of the Syndicate and from our Registered Office and our Corporate Office. ASBA Bid cum Application Forms in physical form will be available with the Designated Branches and electronic ASBA Bid cum Application Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Bid Opening Date. Further, the SCSBs will ensure that the abridged prospectus is made available on their websites.

(iii) The Syndicate (in accordance with the terms of the Syndicate Agreement) and the Designated Branches will accept Bids during the Bidding Period in accordance with the terms of this Red Herring Prospectus.

(iv) Eligible Bidders interested in Bidding for the Equity Shares may approach any member of the Syndicate or their authorized agent(s) to register their Bids. Eligible Bidders may also approach the Designated Branches to register their Bids through the ASBA process.

(v) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders will be accepted by the SCSBs in accordance with the SEBI Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms should bear the stamp of the members of the Syndicate or Designated Branch. Bid cum Application Forms (except electronic ASBA Bid cum Application Forms) which do not bear the stamp of a member of the Syndicate or the Designated Branch are liable to be rejected.

(vi) With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be suspended for credit, and no credit of Equity Shares pursuant to the Issue will be made in the accounts of such Bidders.

(vii) Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should note that the Employee Discount and the Retail Discount (as applicable) will not be offered at the time of Bidding but on Allotment. Hence, Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should not deduct the Employee Discount or the Retail Discount while submitting the Bid cum Application Form. The excess amount paid at the time of Bidding will be refunded to the Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders on Allotment.

Instructions for Completing the Bid cum Application Form

Bids and revisions of Bids must be:

(i) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

(ii) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Bidders must provide details of valid and active DP-ID, client ID and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

(iii) In case of Retail Bidders (including Eligible NRIs) and Eligible Employees submitting Bids in the Employee Reservation Portion, for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of ₹ 100,000. In case the Bid Amount is more than ₹ 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional portion. The option to Bid at the Cut-Off Price is available only to Retail Bidders and Eligible Employees indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process.

(iv) In case of Non-Institutional Bidders and QIB Bidders, for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 100,000.

(v) In case of Eligible NRIs, FVCIs and FIIs on a repatriation basis, in the names of individuals, or in the names of such FVCIs or FIIs, as the case may be, but not in the names of minors, OCBs, firms or partnerships, foreign nationals excluding Eligible NRIs, or their nominees.

(vi) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(vii) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

(viii) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or bank drafts will be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the completed ASBA Bid cum Application Form or the ASBA Revision Form will be submitted to the either in physical form to a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding)

No receipts will be issued for the payment of the Bid Amount on the submission of a Bid cum Application Form or Revision Form. However, the collection centres of the members of the Syndicate will acknowledge 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 record of the Bidder.

General Instructions

Dos:

(i) Check if you are eligible to apply as per the terms of this Red Herring Prospectus and under applicable law;

(ii) Ensure that you have Bid within the Price Band;

(iii) Read all the instructions carefully and complete the Bid cum Application Form, in the prescribed form;

(iv) Except for Bids (i) on behalf of the Central or State Government and officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should provide their PAN. Bid cum Application Forms in which the PAN is not provided will be rejected;

(v) Ensure that the PAN, DP ID and BAN provided in the Bid cum Application Form are correct, and the beneficiary account is activated, as Allotment of Equity Shares will be in dematerialized form only;

(vi) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects;

(vii) 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. If the Bid cum Application Form is submitted in joint names, Bidders must ensure that the beneficiary account is also held in the same joint names in the same sequence in which they appear in the Bid cum Application Form;

(viii) Ensure that the Bids are submitted at the Bidding centres only on Bid cum Application Forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic ASBA Bid cum Application Forms);

(ix) With respect to ASBA Bidders Bidding on physical Bid cum Application Forms, ensure that your Bid is submitted at a Designated Branch of the SCSB where the relevant ASBA Account is held. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;

(x) In case of Bids submitted through the ASBA process, ensure that funds equal to the Bid Amounts are available for being blocked by the SCSBs in the relevant ASBA Accounts;

(xi) In case of Bids submitted through the ASBA process, instruct the relevant SCSBs not to release the funds blocked in the ASBA Account in respect of the relevant Bid Amounts;

(xii) Ensure that you obtain a Transaction Registration Slip ("**TRS**") or acknowledgement for the submission of your Bid; and

(xiii) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB through whom the original Bid was placed and obtain a revised TRS or acknowledgment.

Don'ts:

(i) Do not Bid for lower than the minimum Bid size;

(ii) Do not submit a Bid without payment of the entire Bid Amount;

(iii) Do not Bid/revise the Bid to less than the Floor Price or higher than the Cap Price;

(iv) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch;

(v) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than amounts blocked in the ASBA Accounts;

(vi) Do not send Bid cum Application Forms by post; instead submit the Bid cum Application Forms to a member of the Syndicate or Designated Branch, as applicable;

(vii) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(viii) Do not fill the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable law or the maximum amount permissible under applicable regulations;

(ix) Do not submit more than five ASBA Bid cum Application Forms per ASBA Account;

(x) Do not Bid for amount exceeding ₹ 100,000 in case of a Bid by Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion;

(xi) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

(xii) Do not submit incorrect details of the PAN, DP ID or BAN, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Issue.

Method and Process of Bidding

(i) Our Company, the Selling Shareholder and the BRLMs will decide the Bid Opening Date and Bid Closing Date, in consultation with the BRLMs, and our Company will publish these dates at least one Working Day prior to the Bid Opening Date in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

(ii) The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and advertised in the Mumbai and Delhi editions of the *Financial Express* and the Delhi edition of the *Jansatta* at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

(iii) Bidders who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorized agents or SCSBs to register their Bids, during the Bidding Period. The members of the Syndicate will accept Bids from the all Bidders and will have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and this Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(iv) The Bidding Period will be for at least three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located), together with an indication of such change on the websites of the BRLMs and SCSBs and at the terminals of the Syndicate Members.

(v) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for more information, see "***- Bids at Different Price Levels and Revision of Bids***" on page 386, 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/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(vi) The members of the Syndicate will enter each Bid option into the electronic Bidding system as a separate Bid and will, on request, generate a TRS for the Bidder for each Bid option. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(vii) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB will verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB will reject such Bids and will not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB will block an amount equal to the Bid Amount and will enter each Bid option into the electronic bidding system as a separate Bid.

(viii) With the Bid cum Application Form, all Bidders will make payment in the manner described under "***- Payment Instructions***" on page 389.

Bids at Different Price Levels and Revision of Bids

(i) The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs and advertised in the Mumbai and Delhi editions of the *Financial Express* and the Delhi edition of the *Jansatta* at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

(ii) Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should note that the Employee Discount and the Retail Discount (as applicable) will not be offered on Bidding but on Allotment. Accordingly, Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should not deduct the Employee Discount or the Retail Discount as the case may be, while submitting the Bid cum Application Form. Any excess amount paid at the time of Bidding will be refunded to the Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders, as the case may be, on Allotment.

(iii) Bidders can Bid at any price within the Price Band. A Bidder has to Bid for the desired number of Equity Shares at a specified price. Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price. However, Bidding at the Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders will be rejected.

(iv) Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price agree that they will purchase the Equity Shares at any price within the Price Band. Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion Bidding at the Cut-off Price will deposit the Bid Amount based on the upper end of the Price Band with the members of the Syndicate. In case of ASBA Bidders Bidding at the Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price, the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price will receive refunds of the excess amounts in the manner provided in this Red Herring Prospectus.

(v) Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The upper end of the Price Band will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to the preceding sentence, the revision in Price Band will not exceed 20% on either side, i.e., the Floor Price can move upward or downward to the extent of 20% of the Floor Price disclosed at least one Working Day prior to the Bid Opening Date and the Cap Price will be revised accordingly.

(vi) In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located), and by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Members.

(vii) Our Company and the Selling Shareholder, in consultation with the BRLMs, will decide the minimum number of Equity Shares for each Bid to ensure that the minimum Bid value is in the range of ₹ 5,000 to ₹ 7,000. In the event of revision in the Price Band, whether upward or downward, the minimum Bid size will remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum Bid is in the range of ₹ 5,000 to ₹ 7,000.

(viii) If the Bid Amount is more than ₹ 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, Bids submitted by Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion will be considered for allocation in the Non-Institutional portion. If the Bid Amount reduces to ₹ 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion will be considered for allocation in the Retail portion.

(ix) Revisions may be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from indicating the revised options in the Revision Form, the Bidder must also provide 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 such Bidder is changing only one of the options in the Revision Form, he or she must still fill the details of the other two options that are not being revised, in the Revision Form. The Syndicate and the SCSBs will not accept incomplete or inaccurate Revision Forms.

(x) A Bidder may make this revision any number of times during the Bidding Period. However, for any revisions in the Bid, Bidders will have to use the services of the same member of the Syndicate or Designated Branch through which such Bidder 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.

(xi) Any revision of the Bid will be accompanied by payment in the form of cheque or bank draft for any incremental amount to be paid on account of the upward revision of the Bid, or in case of ASBA Bidders, by an instruction to the SCSB to block the amount equal to the revised Bid Amount in the relevant ASBA Account. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid details and provide the cheque or bank draft number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the basis of allocation.

(xii) When a Bidder revises the Bid, the earlier TRS should be surrendered and a revised TRS may be obtained on request. It is the Bidder's responsibility to obtain a revised TRS, which will act as proof of revision of the previous Bid.

(xiii) Our Company and the Selling Shareholder, in consultation with the BRLMs, may finalize the Issue Price in accordance with this section, without the prior approval of or intimation to the Bidders.

Bidder's Demographic Details

On the basis of the Bidder's PAN, DP ID and BAN provided in the Bid cum Application Form and as entered into the electronic bidding system of the Stock Exchanges by the Syndicate and the SCSBs, as the case may be, the Registrar to the Issue will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details, including the nine-digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf ('**Demographic Details**'). These Demographic Details will be used for providing refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) and allocation advice to the Bidders. By signing the Bid cum Application Form, the Bidder is deemed to have authorized the Depositories to provide to the Registrar to the Issue, on request, the required Demographic Details as available in their records.

In case the Bid cum Application Forms do not contain such details or no corresponding record is available with the Depositories, which matches three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first Bidder), the DP ID and BAN, such Bids are liable to be rejected. Therefore, Bidders are advised to immediately update their PAN, DP ID, BAN and Demographic Details as appearing in the records of the Depositories, and ensure that they are true and correct. Failure to do so may result in delays in dispatch/credit of refunds to Bidders at the Bidders' sole risk and none of the BRLMs, the Registrar to the Issue, the Escrow Collection Banks, the SCSBs, our Company or the Selling Shareholder, will have any responsibility or undertake any liability for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

Refund orders (where refunds are not made electronically) and allocation advice will be mailed at the address of the sole/first Bidder, as per the Demographic Details received from the Depositories. Delivery of refund orders or allocation advice may be delayed if such refund orders or allocation advice are returned undelivered on being sent to the address obtained from the Depositories. In such event, the address and other details given by the Bidder in the Bid cum Application Form will be used only to ensure dispatch of refund orders. Any such delay will be at the Bidders' sole risk and none of our Company, Selling Shareholder, the Escrow Collection Banks, the Syndicate, or the Registrar to the Issue will 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 of refunds through electronic modes as detailed in this Red Herring Prospectus, refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case the DP ID, BAN and PAN provided in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

Payment Instructions

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company, the Selling Shareholder and the Syndicate will open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders (other than ASBA Bidders) will make out the cheque or bank draft in respect of the full Bid Amount. Cheques or bank drafts received from Bidders for the full Bid Amount will be deposited in the Escrow Accounts.

The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks will hold the Bid Amounts in trust for the Bidders in the Escrow Accounts, until the Designated Date, and will not exercise any lien whatsoever over the Bid Amounts deposited in the Escrow Accounts. On the Designated Date, the Escrow Collection Banks will transfer the funds represented by allocation of Equity Shares (other than in respect of allocation to ASBA Bidders) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount left in the Escrow Accounts after such transfers to the Public Issue Account will be transferred to the Refund Account. Payments of refund to the relevant Bidders will be made from the Refund Account are as per the terms of the Escrow Agreement and this Red Herring Prospectus.

Under the terms of the escrow mechanism for this Issue, the Escrow Collection Banks will sweep the monies lying to the credit of the Escrow Accounts at the end of each day into a term deposit operated by the Escrow Collection Banks, or as may otherwise be permitted under applicable law, at an interest rate as may be mutually agreed between the Escrow Collection Banks and the Selling Shareholder. The procedures relating to the creation of such deposits and payment of any interest thereon will be set forth in the Escrow Agreement. Bidders are deemed to have expressly agreed that they will not be entitled to any interest on such deposits and that such interest may be transferred to the Selling Shareholder as may be agreed by the Selling Shareholder with the Escrow Collection Banks and provided under the escrow arrangement. Compliance will be ensured at all times with all applicable laws including taxation laws and rules, regulations and guidelines of the RBI and SEBI as well as with the applicable terms and conditions governing such term deposits.

The escrow mechanism is not prescribed by SEBI, and will be established as an arrangement between our Company, the Selling Shareholder, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from Bidders.

Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) will draw a cheque or bank draft for the entire Bid Amount as per the following terms:

(i) The Bidders will, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit it to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.

(ii) The payment instruments for payment into the Escrow Account(s) should be drawn in favor of:

- In case of Resident QIB Bidders: "Escrow Account – Powergrid – FPO – QIB **-** R"
- In case of Non-Resident QIB Bidders: "Escrow Account – Powergrid – FPO – QIB **-** NR"
- In case of Resident Retail and Non-Institutional Bidders: "Escrow Account – Powergrid – FPO – R"
- In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account – Powergrid – FPO – NR"
- In case of Eligible Employees: "Escrow Account – Powergrid – FPO – Employee"

(iii) In case of Bids by Eligible NRIs applying on repatriation basis, only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis may make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their NRE or FCNR accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs Bidding on a repatriation basis should use the Bid cum Application Form meant for Resident Indians (White in color), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Bids by non-resident Bidder Bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("**NRO**") accounts.

(iv) In case of Bids by Eligible NRIs applying on non-repatriation basis, the Bid Amounts may also be made out of an NRO Account, accompanied by documentary evidence in support of the remittance (i.e., a bank certificate confirming that the draft has been issued by debiting to the NRO Account).

(v) In case of Bids by FIIs or FVCIs, the Bid Amounts should be made out of funds held in a Special Rupee Account, accompanied by documentary evidence in support of the remittance (i.e., a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account).

(vi) The monies deposited in the Escrow Account(s) will be held in trust for the benefit of the Bidders until the Designated Date.

(vii) On the Designated Date, the Escrow Collection Banks will transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Issue Account.

(viii) Within 12 Working Days from the Bid Closing Date, the Registrar to the Issue will dispatch all refund amounts payable to unsuccessful Bidders and also any excess amount paid on Bidding, after adjusting for allocation/Allotment to the Bidders.

(ix) Payments should be made by a cheque or bank draft drawn on a bank which is a member or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques or bank drafts drawn on banks not participating in the clearing process will not be accepted and Bids accompanied by such cheques or bank drafts are liable to be rejected. Cash, stockinvest, money orders or postal orders will not be accepted.

(x) Bidders are advised to provide the number of the Bid cum Application Form on the reverse of the cheque or bank draft to avoid misuse of instruments submitted with the Bid cum Application Form.

(xi) 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.

Payment mechanism for ASBA Bidders

ASBA Bidders are required to provide the ASBA Account number in the ASBA Bid cum Application Form and authorize the SCSB to block an amount equal to the Bid Amount in such ASBA Account. The SCSB will keep the Bid Amount in the relevant ASBA Account blocked until receipt of instructions from the Registrar to the Issue to unblock the Bid Amount, based on finalization of the basis of allocation and for the consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/rejection of the ASBA Bid, as the case may be.

Other Instructions

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the 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 communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depositories.

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 case of a Mutual Fund registered with SEBI, a separate Bid can be made in respect of each scheme of such Mutual Fund 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 provide the name of the scheme concerned for which the Bid is made. Eligible Employees may also Bid in the Net Issue portion, and such Bids will not be treated as multiple Bids. Bids by QIBs in the QIB Portion will not be considered multiple Bids.

After submitting an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid is uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form to either the same or to another Designated Branch of the SCSB or to any member of the Syndicate, will be treated as multiple Bids and will be 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 the Issue. Duplicate copies of ASBA Bid cum Application Forms available on the website of the Stock Exchanges bearing the same application number will be treated as multiple Bids and are liable to be rejected. More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account. However, an ASBA Bidder may revise the Bid through the Revision Form, the procedure for which is detailed in "- ***Build up of the Book***" on page 395.

Our Company and the Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is the same, such Bids will be treated as multiple Bids.

PAN

Except for Bids on behalf of the Central or State Government, residents of Sikkim and officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each Bidders should provide his/her PAN. The PAN will be the sole identification number for participants transacting in the Indian securities market, irrespective of the amount of transaction. Bid cum Application Forms without the PAN are liable to be rejected. Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made in the accounts of such Bidders.

Rejection of Bids

In case of QIB Bidders, Bids may be rejected at the time of acceptance of the Bid provided that the reasons for rejecting such Bids will be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Bidders and Bids by Eligible Employees Bidding in the Employee Reservation Portion, Bids may be rejected only on technical grounds. Consequent refunds will be made through any of the modes described in this Red Herring Prospectus and will be sent to the Bidder's address at the sole/first Bidder's risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs will have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in such ASBA

Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company will have a right to reject such ASBA Bids only on technical grounds.

In case the DP ID, BAN and PAN provided in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds including the following:

(i) Bids by persons prohibited from buying, selling or dealing in shares, directly or indirectly, by SEBI or any other regulatory authority;

(ii) Bids by persons not eligible to acquire Equity Shares under applicable law or their relevant constitutional documents or otherwise, including Bids in the name of persons not competent to contract under the Indian Contract Act, 1872, as amended and Bids by OCBs;

(iii) Bids that do not comply with the securities laws of their respective jurisdictions, including Bids submitted by U.S. residents or U.S. persons excluding "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act or other than in reliance on Regulation S under the Securities Act;

(iv) Bid cum Application Forms not being submitted within the time prescribed as per the Bid cum Application Form, Bid Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;

(v) Bids submitted on plain paper, or on incomplete or illegible Bid cum Application Forms, or on Bid cum Application Forms in a color prescribed for another category of Bidders;

(vi) Bidder category not being ticked on the Bid cum Application Form;

(vii) In case of ASBA Bids, the authorization to the SCSB to block funds in the ASBA Account not being ticked;

(viii) Submission of more than five ASBA Bid cum Application Forms per ASBA Account;

(ix) Bid cum Application Form not having the stamp of a member of the Syndicate or a Designated Branch (except for electronic ASBA Bids);

(x) Amount paid not tallying with the Bid Amount payable for the highest value of Equity Shares Bid for, as provided in the Bid cum Application Form;

(xi) With respect to ASBA Bids, inadequate funds in the ASBA Account to enable the SCSB to block the Bid Amount specified in the ASBA Bid cum Application Form;

(xii) Bids accompanied by cash, stockinvest, money order or postal order;

(xiii) Bids (except in case of ASBA Bids) where clear funds are not available in the Escrow Accounts as per the final certificate from the Escrow Collection Banks;

(xiv) Bids for number of Equity Shares which are not in multiples of [●];

(xv) Bid for lower number of Equity Shares than specified for that category of Bidders;

(xvi) Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;

(xvii) Bids at a price below the Floor Price;

(xviii) Bids at a price above the Cap Price;

(xix) Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;

(xx) Bids in the Employee Reservation Portion, by persons not qualifying as Eligible Employees;

(xxi) In case of partnership firms, Bids may be submitted only in the names of the individual partners and no firms will be entitled to Bid;

(xxii) In case of Bids under power of attorney or by limited companies, corporates, trusts, etc., relevant documents not being submitted;

(xxiii) Bid cum Application Form not providing the sole or first Bidder's PAN (except for Bids on behalf of the Central or State Government, residents of Sikkim and officials appointed by the courts), DP ID and BAN, or the details given being incomplete or incorrect;

(xxiv) No corresponding record being available with the Depositories, that matches three parameters, namely, the sole or first Bidder's PAN, DP ID and BAN;

(xxv) Signatures of Bidders being missing. In case of joint Bidders, the Bid cum Application Forms not being signed by each of the joint Bidders and appearing in the same sequence as appearing in the depository's records. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the ASBA Account holder, if the ASBA Account holder is different from the Bidder;

(xxvi) Bids by QIB Bidders uploaded after 5.00 p.m. on the day one day prior to the Bid Closing Date, and Bids by Non-Institutional Bidders uploaded after 4.00 p.m. on the Bid Closing Date; and

(xxvii) Multiple Bids as described in this Red Herring Prospectus.

Electronic Registration of Bids

(i) The members of the Syndicate and the SCSBs will register the Bids received using the online facilities of the Stock Exchanges.

(ii) There will be at least one online connectivity in each city, where the Stock Exchanges are located in India and where such Bids are being accepted. The BRLMs, our Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and/or the SCSBs will be responsible for any errors in the Bid details uploaded by them. It will be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(iii) The Stock Exchanges will offer an electronic facility for registering Bids. This facility will be available on the terminals of the members of the Syndicate and their authorized agents and the SCSBs during the Bidding Period. The Syndicate and the SCSBs may also set up facilities for offline electronic registration of Bids on the condition that they will subsequently upload the offline data on the online facilities for Book Building on a regular basis.

(iv) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges will be made available at the Bidding centres during the Bidding Period.

(v) At the time of registering each Bid, the members of the Syndicate or the Designated Branches of the SCSBs in case of ASBA Bids will enter the following details of the Bidder in the electronic system:

- Issue name;
- Bid cum Application Form number;
- Bidder Category – retail, non-institutional, QIB, Eligible NRI, FII, Mutual Fund, insurance companies, Eligible Employee, etc.;
- PAN;
- DP ID;
- BAN;
- Numbers of Equity Shares Bid for;
- Price option;
- Cheque amount (except in case of ASBA Bidders); and
- Cheque number (in case of ASBA Bidders, ASBA Account number).

(vi) A TRS will be provided to the Bidder, on request, as proof of the registration 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 or the Designated Branches does not guarantee that the Equity Shares will be allocated/Allotted. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(vii) In case of QIB Bidders (other than QIBs Bidding through ASBA), the members of the Syndicate may reject Bids at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Bidders and Eligible Employees, the members of the Syndicate may reject Bids on the technical grounds listed in this Red Herring Prospectus. Further, the SCSBs will not reject Bids except on the technical grounds listed in this Red Herring Prospectus.

(viii) The permission given by the Stock Exchanges to use their network and software of the online 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 and/or the

Syndicate are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the 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, nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares offered and sold in the Issue will be listed or that our Equity Shares will continue to be listed on the Stock Exchanges.

(ix) Only Bids uploaded on the online system of the Stock Exchanges will be considered for allocation/Allotment. The Syndicate and the SCSBs will verify the information uploaded on the online system of the Stock Exchanges during the Bidding Period, within one Working Day after the Bid Closing Date, after which the Registrar to the Issue will receive this data from the Stock Exchanges and validate the electronic Bid details with the Depositories' records.

Build up of the Book

(i) Bids received through the Syndicate and the SCSBs will be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(ii) The book gets built up at various price levels. This information will be available with the BRLMs at the end of the Bidding Period.

(iii) During the Bidding Period, any Bidder who has registered interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the Revision Form. Retail Bidders may revise their bids within the Price Band at any time until finalization of the basis of allocation. For more information, see "*- **Bids at Different Price Levels and Revision of Bids***" on page 386.

Price Discovery and Allocation

(i) Based on the demand generated at various price levels, our Company and the Selling Shareholder, in consultation with the BRLMs, will finalize the Issue Price, the Employee Discount and Retail Discount.

(ii) Any under-subscription in any category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange, provided that if the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than 20,959,467 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and then be allocated proportionately to QIB Bidders.

(iii) QIB Bidders Bidding in the QIB Portion will not be allowed to withdraw their Bid after the Bid Closing Date.

Signing of the Underwriting Agreement and RoC Filing

(i) Our Company, the Selling Shareholder and the members of the Syndicate will enter into an Underwriting Agreement on or immediately after the finalization of the Issue Price.

(ii) After signing the Underwriting Agreement, our Company will update and file this Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then will be termed the 'Prospectus'. The Prospectus will contain details of the Issue

Price, the Issue size, Employee Discount, Retail Discount and underwriting arrangements, and will be complete in all material respects.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company will, after registering this Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, will provide the Issue Price, the Employee Discount and the Retail Discount. Any material updates between the date of this Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Allocation Advice

On approval of the basis of allocation by the Designated Stock Exchange and on Allotment by our Board or a duly constituted committee thereof, the Registrar to the Issue will send the members of the Syndicate and SCSBs a list of the successful Bidders who have been Allotted Equity Shares in the Issue. The Registrar to the Issue will then dispatch allocation advice to the successful Bidders who have been Allotted Equity Shares in the Issue.

Designated Date and Allotment of Equity Shares

Our Company and the Selling Shareholder will ensure that Allotment of Equity Shares and credit to successful Bidder's depository account are completed within 12 Working Days of the Bid Closing Date.

In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment will be made only in dematerialized form to successful Bidders. Allottees will have the option to re-materialize the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Bidders are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them in the Issue.

Basis of Allocation

For Retail Bidders

(i) Bids received from Retail Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Retail Bidders will be made at the Issue Price less the Retail Discount.

(ii) The Net Issue size less Allotment to Non-Institutional and QIB Bidders will be available for allocation to Retail Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

(iii) If the aggregate demand in this category is less than or equal to 293,432,526 Equity Shares at or above the Issue Price, full Allotment will be made to successful Retail Bidders, to the extent of their valid Bids.

(iv) If the aggregate demand in this category is greater than 293,432,526 Equity Shares at or above the Issue Price, the Allotment will be made on a proportionate basis up to a minimum of 293,432,526 Equity Shares. For an illustration of the proportionate basis of allocation, see below.

For Non-Institutional Bidders

(i) Bids received from Non-Institutional Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Non-Institutional Bidders will be made at the Issue Price.

(ii) The Net Issue size less Allotment to QIBs and Retail Portion will 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.

(iii) If the aggregate demand in this category is less than or equal to 125,756,797 Equity Shares at or above the Issue Price, full Allotment will be made to Non-Institutional Bidders to the extent of their demand.

(iv) If the aggregate demand in this category is greater than 125,756,797 Equity Shares at or above the Issue Price, Allotment will be made on a proportionate basis up to a minimum of 125,756,797 Equity Shares. For an illustration of the proportionate basis of allocation, see below.

For Employee Reservation Portion

(i) Bids received from the Eligible Employees at or above the Issue Price will 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 less the Employee Discount.

(ii) If the aggregate demand in this category is less than or equal to 3,389,600 Equity Shares at or above the Issue Price, full allocation will be made to the Eligible Employees to the extent of their demand.

(iii) If the aggregate demand in this category is greater than 3,389,600 Equity Shares at or above the Issue Price, the allocation will be made on a proportionate basis subject to a minimum of 3,389,600 Equity Shares either on a firm basis or as per draw of lots, as approved by the Designated Stock Exchange. For an illustration of the proportionate basis of allocation, see below.

(iv) Only Eligible Employees are eligible to apply under Employee Reservation Portion.

For QIBs in the QIB Portion

(i) Bids received from the QIB Bidders at or above the Issue Price will be grouped together to determine the total demand under this portion. Allotment to successful QIB Bidders will be made at the Issue Price.

(ii) The QIB Portion will be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

(iii) Allotment will be undertaken in the following manner:

- In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion will be determined as follows:

  (a) In the event Mutual Fund Bids exceed 5% of the QIB Portion, allocation to Mutual Funds will be done on a proportionate basis for up to 5% of the QIB Portion.

  (b) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds will receive full Allotment to the extent of valid Bids received above the Issue Price.

  (c) Any Equity Shares remaining unsubscribed and not allocated to Mutual Funds will be available for allocation to all QIB Bidders as set out in (b) below;

(iv) In the second instance, Allotment to QIBs will be determined as follows:

- In the event of over-subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price will be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

- Mutual Funds which 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 with other QIB Bidders.

- Any under-subscription from Mutual Funds below 5% of the QIB Portion will be included for allocation to the remaining QIB Bidders on a proportionate basis.

(v) The aggregate Allotment to QIB Bidders will be up to 419,189,323 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

S. No.	Particulars	Issue details
1.	Issue size	202 million equity shares
2.	Employee Reservation Portion	2 million equity shares
3.	Net Issue Size	200 million equity shares
4.	Portion available to QIBs (50%)	100 million equity shares
	Of which:	
	a. Allocation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
5.	No. of QIB Bidders	10
6.	No. of equity shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIBs #	No. of equity shares bid for (in million)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40

Sr. No.	Type of QIBs #	No. of equity shares bid for (in million)
8.	MF3	80
9.	MF4	20
10.	MF5	20
	Total	**500**

A1-A5: (QIBs other than MFs), MF1-MF5 (QIBs which are Mutual Funds)

C. Details of Allotment to QIB Bidders

(Number of equity shares in million)

Type of QIBs	Equity Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.50	3.74	4.24
MF5	20	0.50	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "***Issue Structure***" on page 368.

2. Out of 100 million equity shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.

3. The balance 95 million equity shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).

4. The figures in the fourth column entitled "Allocation of balance 95 million equity shares to QIBs proportionately" in the above illustration are arrived as under:

   - For QIBs other than Mutual Funds (A1 to A5) = No. of equity shares bid for (i.e. in column II) X 95 / 495

   - For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] X 95 / 495

The numerator and denominator for arriving at allocation of 95 million equity shares to the 10 QIBs are reduced by 5 million equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allocation

In the event of the Issue being over-subscribed, our Company and the Selling Shareholder will finalize the basis of allocation in consultation with the BRLMs and the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange with the BRLMs and the Registrar to the Issue will be responsible for ensuring that the basis of allocation is finalized in a fair and proper manner.

The Allotment will be made in marketable lots, on a proportionate basis as explained below:

(i) Bidders will be categorized according to the number of Equity Shares applied for.

(ii) The total number of Equity Shares to be allotted to each category as a whole will 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.

(iii) The 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.

(iv) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment will be made as follows:

- The successful Bidders out of the total Bidders for a category will be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is as far as possible, equal to the number of Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder will be allotted a minimum of [●] Equity Shares.

(v) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal will 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 will be rounded off to the lower whole number. Allotment to all in such categories will be arrived at after such rounding off.

(vi) 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 allocation will be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. Any Equity Shares remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per Section 68B of the Companies Act, the Allotment of Equity Shares in the Issue will be only in dematerialized form.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(i) Agreement dated June 27, 2007, between NSDL, our Company and the Registrar to the Issue;

(ii) Agreement dated May 31, 2007, between CDSL, our Company and the Registrar to the Issue.

Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(iii) A Bidder applying for Equity Shares must have at least one valid beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(iv) The Bidder must necessarily fill in the details (including the PAN, BAN and DP ID) appearing in the Bid cum Application Form or Revision Form.

(v) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(xiv) 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. If the Bid cum Application Form is submitted in joint names, Bidders must ensure that the beneficiary account is also held in the same joint names in the same sequence in which they appear in the Bid cum Application Form;

(vi) Bid cum Application Forms or Revision Forms containing incomplete or incorrect details under the heading 'Bidders Depository Account Details' are liable to be rejected.

(vii) The Bidder is responsible for the correctness of his Demographic Details given in the Bid cum Application Form vis-à-vis those with his Depository Participant.

(viii) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(ix) Trading in the Equity Shares will be in dematerialized form only, on the dematerialized segments of the Stock Exchanges.

Communications

All future communications in connection with Bids made in the 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, PAN, Bidders depository account details, 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, or with respect to ASBA Bids, the ASBA Account number in which an amount equal to the Bid Amount was blocked.

Bidders may 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. In case of ASBA Bids submitted with the Designated Branches, Bidders can contact the relevant Designated Branch.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 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."

Payment of Refunds

In the case of Bidders other than ASBA Bidders, the Registrar to the Issue will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the PAN, DP ID and BAN provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their details as appearing on the records of their Depository Participants. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and none of our Company, the Selling Shareholder, the Registrar to the Issue, the Escrow Collection Banks, or the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

Within 12 Working Days of the Bid Closing Date, the Registrar to the Issue will dispatch refund orders for all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also any excess amount paid on Bidding, after adjusting for allocation/Allotment to such Bidders.

In the case of Bids from Eligible NRIs and FIIs, any refund, dividend or other distribution will normally be payable in Indian Rupees only and net of any applicable bank charges and commission. Where desired, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or, if they so desire, credited to their NRE accounts, details of which should be provided in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for any loss incurred by Bidders on account of conversion of foreign currency.

Mode of Refunds

For Bidders other than ASBA Bidders

For Bidders other than ASBA Bidders, any payment of refund will be through any of the following modes:

(i) NECS – Payment of refund will be through NECS for Bidders having bank accounts at any of the centres where such facility has been made available. This mode of payment of refunds is subject to availability of complete bank account details, including the MICR code, from the Depositories. This mode of refunds will be mandatory for Bidders having a bank account at any of the centres where clearing houses are managed by the RBI, except where the Bidder is eligible and opts for refunds through direct credit or RTGS.

(ii) Direct Credit – Bidders having bank accounts with the Refund Bank, as indicated in the Bid cum Application Form, will be eligible to receive refunds through direct credit. Any bank charges levied by the Refund Bank will be proportionately borne by our Company and the Selling Shareholder.

(iii) RTGS – Bidders having bank account at any of the centres where such facility has been made available, and whose refund amount exceeds ₹ 1 million, will be eligible to receive refund through RTGS, provided that the Indian Financial System Code ("**IFSC**") will be derived based on the MICR code of the Bidder as per the Depositories' records or the RBI master. Any bank charges levied by the Refund Bank will be proportionately borne by our Company and the Selling Shareholder. Any bank charges levied by the Bidders' bank receiving the credit will be borne by the respective Bidders.

(iv) NEFT – Payment of refund will be undertaken through NEFT wherever the Bidders' bank branch has been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. The IFSC will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their MICR code and bank account number while opening and operating the beneficiary account, these will be duly mapped with the IFSC of that particular bank branch and payment of refund will be made to the Bidders through NEFT.

(v) For all other Bidders, including those who have not updated their bank particulars with the MICR code, refund orders will be dispatched under certificate of posting for value up to ₹ 1,500 and through speed or registered post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Any bank charges for cashing such cheques, pay orders or bank drafts at other centers will be payable by the respective Bidders.

Refunds for ASBA Bidders

In the case of ASBA Bidders, the Registrar to the Issue will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid Closing Date.

Disposal of Bids, Bid Amounts and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, our Company will ensure dispatch of allocation advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges after the Allotment of Equity Shares and within 12 Working Days of the Bid Closing Date.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid Closing Date. A suitable communication will be sent to the Bidders receiving refunds through this mode within 12 Working Days from the Bid Closing Date, giving details of the bank where refunds will be credited with the amount and expected date of electronic credit of refund.

Our Company will ensure that all steps for completion of the necessary formalities for listing are completed and trading commences within 12 Working Days of the Bid Closing Date, at all the Stock Exchanges where the Equity Shares are proposed to be listed.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

(i) Allotment of Equity Shares will be made only in dematerialized form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid Closing Date;

(ii) With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in case the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days from the Bid Closing Date will be ensured. With respect to the ASBA Bidders, instructions for unblocking the ASBA Account will be made within 12 Working Days from the Bid Closing Date; and

(iii) If allocation advice or refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

Allocation Advice, Refund Orders or instructions to the SCSBs

Our Company will give credit of any Equity Shares Allotted to the successful Bidders' beneficiary accounts with their Depository Participants within two Working Days from the date of Allotment. Our Company will ensure dispatch of any refund orders of value up to ₹ 1,500 under certificate of posting, and will dispatch any refund orders above ₹ 1,500 by speed or registered post or direct credit, NEFT, RTGS or NECS, at the sole or first Bidders' sole risk, within 12 Working Days from the Bid Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter by ordinary post, intimating them of the mode of credit of refund within 12 Working Days from the Bid Closing Date.

In the case of ASBA Bidders, the Registrar to the Issue will instruct the SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid Closing Date.

Interest in case of delay in dispatch of allocation advice, refund orders or instructions to SCSB by the Registrar to the Issue

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, will be made within 12 Working Days of the Bid Closing Date. In case of ASBA Bids, instructions will be issued to the relevant SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBAs, within 12 Working Days of the Bid Closing Date;

If allocation advice or refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

Refunds will be made by cheques, pay-orders or bank drafts drawn on a bank appointed by our Company and the Selling Shareholder as a Refund Bank and payable at par at places where Bids are received. Any bank charges for encashing such cheques, pay orders or bank drafts at other centres will be payable by the respective Bidders.

Undertakings by our Company

Our Company undertakes the following:

(i) Complaints received in respect of the Issue will be attended to by our Company expeditiously and satisfactorily. Our Company has authorized our Company Secretary as the Compliance Officer to redress any complaints in respect of the Issue;

(ii) 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 will have been taken within 12 Working Days of the Bid Closing Date;

(iii) If allocation advice or refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the monies received from the Bidders in respect of the Fresh Issue, with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act;

(iv) Our Company will take all necessary steps to ensure compliance with Clause 40A of the Equity Listing Agreement;

(v) No further issue of Equity Shares will be made until the Equity Shares offered in the Fresh Issue are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.;

(vi) Adequate arrangements will be made to collect all ASBA Bids and to consider them similar to non-ASBA Bids while finalizing the basis of allocation; and

(vii) Our Company will not have recourse to the Fresh Issue proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing of the Equity Shares is sought is received.

Undertakings by the Selling Shareholder

- The Equity Shares available in the Offer for Sale have been held by the Selling Shareholder for a period of more than one year prior to the date of this Red Herring Prospectus, and are free and clear of any liens or encumbrances, and will be transferred to the successful Bidders within the specified time;

- The Selling Shareholder will not have recourse to the proceeds of the Offer For Sale, until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received;

- The Selling Shareholder will not sell, transfer, dispose of in any manner or create any lien, charge or encumbrance on the Equity Shares available in the Offer for Sale;

- The Selling Shareholder will take all such steps as may be required to ensure that the Equity Shares are available for transfer in the Offer for Sale;

- The Promoter has authorized the Compliance Officer of our Company and the Registrar to the Issue to redress any complaints received from Bidders in respect of the Offer for Sale.

Utilization of Fresh Issue Proceeds

Our Board certifies that:

(i) All monies received from the Fresh Issue will be credited to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

(ii) Details of all monies utilized out of the Fresh Issue will be disclosed, and will continue to be disclosed until the time any part of the Fresh Issue proceeds remains unutilized, under an appropriate head in our Company's balance sheet, indicating the purpose for which such monies have been utilized;

(iii) Details of any unutilized monies out of the Fresh Issue will be disclosed under an appropriate separate head in our Company's balance sheet, indicating the form in which such unutilized monies have been invested;

(iv) The utilization of monies received from the Employee Reservation Portion will continue to be disclosed until the time any part of the Fresh Issue proceeds remains unutilized, under an appropriate head in our Company's balance sheet, indicating the purpose for which such monies have been utilized; and

(v) Details of all unutilized monies out of the funds received from the Employee Reservation Portion will be disclosed under a separate head in our Company's balance sheet, indicating the form in which such unutilized monies have been invested.

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid Opening Date but before Allotment. If our Company and the Selling Shareholder withdraw the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company and the Selling Shareholder withdraw the Issue after the Bid Closing Date and thereafter determines that they will proceed with a further public offering of Equity Shares, they will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company will apply for only after Allotment and within 12 Working Days of the Bid Closing Date; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restriction on transfer and transmission of Equity Shares or debentures and/or their consolidations/splitting as detailed below. Please note that each provision below is numbered as per the corresponding article number in the Articles of Association.

CAPITAL AND SHARES		
Share Capital	4.	The Authorised Share Capital of the Company shall be such amount and be divided into such shares as may from time to time be provided in Clause V of the Memorandum of Association with power to increase or reduce the capital and divide the shares in the capital of the Company for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights including as to voting, privileges or conditions as may be determined in accordance with these presents and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the said Act.
Allotment of Shares	5A(i).	Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of Section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or at premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or subject to the provisions of Section 79A of the Act for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid–up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
Calls on Shares/Debentures	5A(ii)	The Board of Directors may from time to time, make calls upon the members or debenture-holders or holders of securities issued by the Company in respect of any moneys unpaid on their shares or debentures or securities and specify the time or times of payments and each member or debenture holder or the holder of the securities shall pay to the Company at the time or times so specified the amount called on his shares/debentures/securities. Provided however that the Directors may from time to time at their discretion extend the time fixed for the payment of any call.
When interest on calls payable	5A(iii)	If the sum payable in respect of any call be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share/debenture/securities in

		respect of which a call shall have been made, shall pay interest on the same at such rate as the Board of Directors shall fix, from the day appointed for the payment thereof to the day of actual payment, but the Board of Directors may waive payment of such interest wholly or in part.
Calls paid in advance	5A(iv)	The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by Directors provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures and other securities of the Company.
Sums deemed to be call	5A(v)	Any sum which by the terms of issue of a share/debenture/security becomes payable on allotment or at any fixed date, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non – payment all the relevant provisions of these Articles as to payment of interest and forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
Partial payment not to preclude forfeiture	5A(vi)	Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member/debenture holder/holder of securities to the Company in respect of his shares/debentures/securities, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares/debentures/securities as provided in these Articles.
		CERTIFICATES
Right of Members or Debenture holders to certificates	6.	Subject to the requirements of Listing Agreement and the bye laws of the Stock Exchanges where the securities issued by the Company are listed for trading, every member/debenture holder shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares/debentures of each class or denomination registered in his name, or if the Directors so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one or more of such shares/debentures and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares/debentures, as the case may be. Every certificate of

		shares/debentures shall be under the seal of the Company and shall specify the number and distinctive numbers of shares/debentures in respect of which it is issued and amount paid-up thereon and shall be in such form as the Directors may prescribe or approve, provided that in respect of shares/debentures held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares/debentures to one of several right holders shall be sufficient delivery to all such holders. Provided that in case of securities held by the Member/Debenture holder in dematerialized form, no Share/Debenture Certificate(s) shall be issued.
Issue of new certificates in place of one defaced, lost or destroyed	7.	Subject to the requirements of the Act or the Securities Contracts (Regulation) Act, 1956 and the Rules or Regulations made thereunder or the Listing Agreement and the bye laws of the Stock Exchanges where the securities issued by the Company are listed for trading, or any other applicable law, if a security certificate is defaced, lost or destroyed, torn, mutilated, worn out or where the pages on reverse for recording transfers have been utilized, a new certificate shall be issued free of charge, and if any such certificate be lost or destroyed, then on such terms, evidence and indemnity and payment of expenses incurred by the Company, as the Directors may think fit.
Company's lien on shares or debentures	7(A)	The Company shall have a first and paramount lien -
	i)	On every share or debenture (not being a fully paid share or debenture), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share or debenture; and
	ii)	On all shares or debentures (not being fully paid up) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Company.
	iii)	On all shares or debentures for which the allotment money (whether in full or part) was deferred or kept as term deposit, as a condition of subscription by allottee to the shares or debentures. Provided that the Board of Directors may at any time declare any share or debenture to be wholly or in part exempt from the provisions of this Article.
	iv)	The Company's lien, if any, on a share or debenture shall extend to all dividends, bonus or interest payable thereon.
	v)	The Company's lien, if any, on a share or debenture shall extend to the proceeds of the sale of any such shares/debentures provided that no equitable interest in any share shall be created except upon the condition that this Article will have full effect. Unless otherwise agreed, the registration of a transfer of shares/ debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures.
	7(B)	The Company may sell, in such manner as the Board thinks fit, any shares or debentures on which the Company has a lien provided that no sale shall be made
	i)	Unless a sum in respect of which the lien exists is presently payable, or

	ii)	Until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or debenture or the person entitled thereto by reason of his death or insolvency.
	7 (C) (i)	To give effect to any such sale, the Board may authorise some person to transfer the shares or debentures sold to the purchaser thereof.
	(ii)	The purchaser shall be registered as the holder of the shares or debentures comprised in any such transfer.
	7 (D) (i)	The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
	(ii)	The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares or debentures before the sale, be paid to the person entitled to the shares or debentures at the date of the sale.
Forfeiture of shares or debentures	7 (E) (i)	If a member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
	(ii)	The notice aforesaid shall:
		(a) Name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and (b) state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited. (c) If the requirements of any such notice as aforesaid are not complied with, any shares or debenture in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
	(iii)	A forfeited share or debenture may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
	(iv)	At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
	7(F) (i)	A person whose share or debenture have been forfeited shall cease to be a member or holder in respect of the forfeited shares or debentures, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the share or debenture.
	(ii)	The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.
	7(G) (i)	A duly verified declaration in writing that the declarant is a

		Director, Manager or the Secretary of the Company, and that a share or debenture in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated, as against all persons claiming to be entitled to the shares or debentures.
	(ii)	The Company may receive the consideration, if any, given for the share or debenture on any sale or disposal thereof and may execute a transfer of the share or debenture in favour of the person to whom the share or debenture is sold or disposed of.
	(iii)	The transferee shall thereupon be registered as the holder of the share or debenture.
	(iv)	The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share or debenture.
	(v)	The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the term of issue of a share or debenture, becomes payable at a fixed time, whether on account of the nominal value of the share or debentures by way of premium, as if the same had been payable by virtue of a call duly made and notified.
Company may buy back its own Securities	7H.	Notwithstanding any provision to the contrary in these Articles, the Company may buy back its own securities subject to the provisions contained in Sections 77A, 77AA and 77B of the Act, as amended from time to time.
Surrender of Shares/ Debentures/Securities	7I.	Subject to applicable provisions of the law, the Board may accept from any shareholder/Debenture/security holder on such terms and conditions as shall be agreed a surrender of all or any of his shares/debentures/securities.
Register and Index of Members/Debenture holders	7J.	The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/Debenture holders (the Register) in accordance with Section 150 and 151 and other applicable provisions of the Act and the Depositories Act, with the details of shares/debentures held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium. The Register and Index of Beneficial Owner maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of Members/Debenture holders for the purpose of the Companies Act and any amendment or re-enactment thereof. The Company shall have power to keep in any State or Country outside India, a Register of Members/Debenture holders for the resident in that State or Country.
TRANSFER AND TRANSMISSION OF SHARES OR DEBENTURES OR OTHER SECURITIES		
Transfer and transmission of shares or debentures or other securities	8(i)	The Company shall register the transfer of securities subject to the applicable provisions of the Act, Depositories Act, Listing Agreements with the Stock Exchanges where the securities of the Company are listed and any other applicable law from time to time. Further, the Board may, at its own absolute and uncontrolled discretion, but subject to applicable law and further subject to the right of appeal, and by giving reasons, decline to register or acknowledge any transfer of shares/debentures/other securities, whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a

		member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures/other securities in whatever lot shall not be refused. The instrument of transfer in case of shares/debentures/ other securities held in physical form shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares/debentures/other securities and registration thereof. A common form of transfer of shares or debentures or other securities as the case may be, shall be used by the Company. Further, the Board may, subject to applicable law and these Articles and further subject to the right of appeal, decline to register: a) the transfer of a share or debentures not being fully-paid, to a person of whom they do not approve; b) any transfer of shares or debentures on which the Company has a lien, or when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor; c) when the transferor objects to the transfer, provided he serves on the Company within a reasonable time a prohibitory order of a Court of competent jurisdiction.
No fees to be charged	8. (ii)	No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.
Register of Transfers	9.	The Company shall, if the Shares/Debentures/Securities of the Company are not in dematerialized form, keep a Register of Transfer of Shares (and Debentures or other securities) and therein enter the particulars of several transfers or transmission of any shares or debentures or other securities.
Execution of transfers	10. (i)	The instrument of transfer of any share or debenture or other securities in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain holder of the share or debenture or security until the name of the transferee is entered in the Register of Members or Debenture holders/other Security holders in respect thereof.
Closing of Registers of Members and Debenture/ Other Security holders	10. (ii)	The Register of Members/Debenture/Securities holders may be closed for any period or periods not exceeding 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated.

Transmission of shares	11.	Nothing contained in Article 8(i) shall prejudice any power of Company to register as share holder (or debenture holder) any person to whom the right to any shares (or debentures) in the Company has been transmitted by operation of Law.
DEMATERIALIZATION OF SECURITIES		
Dematerialization/ Rematerialization of securities	11A. (i)	Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing securities, rematerialize its securities held in the Depositories and/or offer its fresh securities in dematerialized form pursuant to the provisions of the Depositories Act, 1996 and the rules framed thereunder, if any.
	(ii)	Every person subscribing to or holding securities of the Company shall have the option to receive security's certificates or to hold the securities with the Depository. Such person who is the Beneficial Owner of the securities can at any time opt out of the Depository, if permitted by law, in respect of any security in the manner and within the time prescribed. If a person opts to hold his securities with Depository, the Company shall intimate such Depository, the details of allotment of the security and in receipt of the information, the Depository shall enter in its record the name of the allottees as the Beneficial Owner of the securities.
Securities in Depository to be in Fungible Form	(iii)	All securities in depository shall be dematerialized and be in fungible form. Nothing contained in Section(s) 153, 372A and such other provisions of the Act as may be applicable, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners. In such event the right(s) and obligation(s) of the shareholder(s)/debenture holder(s) and the matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996 or any statutory modification thereto or re-enactment thereof.
Rights and Liabilities of Beneficial Owner(s)	(iv)	(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owners. (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the Security(ies) shall not have any voting right(s) or any other right(s) in respect of the security(ies) held by it. (c) The Beneficial Owner of securities shall be entitled to all the right(s) and benefit(s) and be subject to all the liabilities in respect of Security(ies), which are held by a Depository.
Service of Documents	(v)	Notwithstanding anything to the contrary contained in the Act or Articles, where Security (ies) are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode by delivery of floppies or discs.
Provisions of Articles not to apply to security (ies) held in Depository	(vi)	Nothing contained in Section 108 of the Act or Articles 6 to 11 of the Articles of Association, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
Allotment of Securities to be dealt within a Depository	(vii)	Where securities are to be dealt with by the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive number of securities held in dematerialized form	(viii)	Nothing contained in the Act or the Articles regarding the necessity of having distinctive numbers on securities issued by the Company shall apply to securities held with a Depository.
Trading of securities in Demat Mode	(ix)	Notwithstanding anything contained in these Articles, the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post-listing shall be in the demat segment of the relevant Stock Exchange(s) where the securities issued by the Company are listed for trading, in accordance with the directions of SEBI, the Stock Exchanges and in terms of the listing agreements to be entered into with the said Stock Exchange(s).
Nomination	11B. (i)	Every share/debenture/security holder and a depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his shares/ debentures/securities or deposits in the Company standing in his name shall vest in the event of his death.
	(ii)	Where the Shares or Debentures or Securities or Deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures or securities or deposits in the Company, as the case may be, shall vest in the event of death of all the joint holders.
	(iii)	Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such shares/debentures, securities or deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the shares/debentures/securities or deposits in the Company, the nominee shall on the death of the share/debenture/security holder or a depositor or on the death of the joint holders as the case may be, become entitled to all the rights in such shares/ debentures/security or deposits, as the case may be, all the joint holders in relation to such shares/debentures/ security or deposits, to the exclusion of all persons, unless the nomination is varied, cancelled in the prescribed manner.
	(iv)	Where the nominee is a minor, it shall be lawful for the holder of the shares/debentures/security or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares/debentures/securities or deposits in the Company, in the event of his death, during the minority.
Transmission of Securities by Nominee	11C.	A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-
	(i)	To be registered himself as holder of the share/ debenture/security or deposits, as the case may be; or
	(ii)	To make such transfer of the share/debenture/security or deposits, as the case may be, as deceased share/ debenture/security holder or depositor could have made.
	(iii)	If the nominee elects to be registered as holder of the share/debenture/security or deposits, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased share/debenture/ security holder or depositor, as the case may

		be;
	(iv)	A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the shares/debentures/ securities or deposits except that he shall not, before being registered as a member in respect of his share/ debenture/security or deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company or the meetings of the holders of the debenture/security or deposits.
		Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares/debentures/ securities or deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money(s) payable or right(s) accruing in respect of the shares/debentures/ securities or deposits, until the requirements of the notice have been complied with.
INCREASE, REDUCTION AND ALTERATION OF CAPITAL		
Increase of Capital	12. (i)	Subject to the provisions of the Act, the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount, as the Resolution shall prescribe.
Terms of issue of Debentures/Other Securities	12. (ii)	Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
On what condition new shares may be issued	13.	New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct.
Further Issue of Shares	13A. 1.	Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un -issued capital or out of the increased share capital then:
		(a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on those shares at the date. (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined. (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub-clause (b) hereof and shall contain a statement of this right, provided that the Directors may decline, without assigning any reason to allot any shares to

		any person in whose favour any member may renounce the shares offered to him. (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
	2.	Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:
		(a) If a special resolution to that effect is passed by the Company in General Meeting, or (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
	3.	Nothing in sub-clause (c) of (1) hereof shall be deemed:
		a) to extend the time within which the offer should be accepted; or b) to authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
	4.	Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
		(i) to convert such debentures or loans into shares in the Company; or (ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise) Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term: a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and b) in the case of debentures or loans or other than debentures issued to or loans obtained from the Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the

		debentures or raising of the loans.
When to be offered to existing members	14.	The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Article 5A(i) to 5A(vi).
Same as original capital	15.	Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.
Reduction of capital	16.	Subject to the provisions of Section 100-104 of the Act, the Company may from time to time, by special resolution, reduce the capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may deem expedient, and capital may be paid off upon the footing that it may be called upon, again or otherwise.
Sub-Division and consolidations of shares	17.	Subject to the provisions of the Act, the Company in a General Meeting may from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by sub-section (i) (a) to (e) of Section 94 of the Act, and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.
	BORROWING POWERS	
Power to borrow	18.	Subject to the provisions of Section 58A, 292 and 293 of the Act, and Government Guidelines issued from time to time, the Board may by means of a resolution passed at the meeting of the Board, from time to time, borrow or secure the payment of any sum or sums of the money for the purpose of the Company on such terms and conditions as may be approved by the Board, subject, however, that the Board shall not without the sanction of the Company in a General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate for the time being of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.
Issue at discount etc. or with special privileges	19.	Subject to Section 79 and 117 of the Act, any debentures may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings and allotment of shares.
	GENERAL MEETINGS	
Notice of General Meeting	20.	At least Twenty one clear days' notice in writing, specifying the place day and hour of General Meetings, with a statement of the business to be transacted at the meeting shall be served on every member in the manner provided by the Act but with the consent, in writing, of all the members entitled to receive notice of the same, any General Meeting may be convened by such shorter notice and in such manner as those members may think fit.
Omission to give notice not to invalidate a resolution passed	21.	The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.
Quorum	22.	Five Members present in person or by duly authorised representative shall be quorum for a General Meeting of the Company.

Chairman of General Meeting	23.	The Chairman of the Board of Directors or in his absence the Vice-Chairman shall be entitled to take the Chair at every General Meeting but if neither the Chairman nor the Vice-Chairman is to be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and, if no Director shall be present or if all the Directors present declined to take the chair, then the Members present shall choose one of their Members to be Chairman.
Chairman's decision conclusive	24.	The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
VOTES OF MEMBERS		
Votes	25. (i)	Every Member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.
Postal Ballot	25. (ii)	Notwithstanding anything contained in the Articles of the Company, the Company may in respect of any business but shall in respect of the businesses prescribed in the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time, adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) instead of transacting such business in a General Meeting of the Company subject to compliances with the procedure for such Postal Ballot and/ or other requirements prescribed in the aforesaid rules in this regard.
Vote in respect of shares of deceased members	26. (i)	Any person entitled under the Transmission clause to transfer any share may vote at a General Meeting in respect thereof as if he was registered holder of such shares provided that at least 72 hours before the time of holding the Meeting or adjourned Meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.
No member to vote unless calls are paid up	26. (ii)	No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
BOARD OF DIRECTORS		
Company to be managed by a Board of Directors	29.	The business of the Company shall be managed by the Board of Directors subject to the compliance of conditions stipulated in Department of Public Enterprises Office memorandum No. DPE/11 (2)/97-Fin dated 22nd July, 1997 as modified from time to time.
Number of Directors	30.	The President shall from time to time determine the number of Directors of the Company which shall not be less than 4 (four) and not more than 18 (eighteen). These Directors may either be whole time Directors or part-time Directors.
Appointment of Board of Directors	31.(i)(a)	The Chairman shall be appointed by the President. All other members of the Board of Directors including Vice-Chairman shall be appointed by the President in consultation with the Chairman of the Company. No such consultation will be necessary in case of appointment of Directors representing the Government and Nominee Directors appointed by Financial Institutions/Banks.
	(b)	The President may, from time to time, appoint the Chairman

		or any of the Directors to the Office of Managing Director(s) of the Company for such term and such remuneration (whether by way of salary or otherwise) as he may think fit and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places in accordance with the provision of Article 32. Any such Chairman/Director appointed to any such office shall, if he ceases to hold the office of Chairman/Director from any cause, ipso facto, immediately cease to be Managing Director(s).
	(c)(i)	The Directors shall be paid such salary and/or allowances as the President may, from time to time determine subject to the provisions of Section 314 of the Act, such reasonable additional remuneration as may be fixed by the President may be paid to any 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-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot. A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto. If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed at the adjourned meeting, unless: (i) at that meeting or at the previous meeting, a resolution for the re-appointment of such director has been put to the meeting and lost; (ii) the retiring director has, by a notice in writing addressed

		to the Company or its Board of Directors, expressed his un-willingness to be so re-appointed; (iii) he is not qualified or disqualified for appointment; (iv) a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act; (v) the proviso to sub-section (2) of Section 263 is applicable to the case.
	(iv)	A Director representing a Ministry of the Government of India shall retire on his ceasing to be an official of that Ministry.
	(v)	The President may from time to time remove any part-time Director, from office at his absolute discretion. Chairman and 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 or with immediate effect on payment of the pay in lieu of the notice period.
	(vi)	The President shall have the right to fill any vacancy in the office of the Directors caused by removal, resignation, death or otherwise.
Alternate Director	32.	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 meetings 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 meetings 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.
Matters reserved for the President	34.	Without prejudice to the generality of the other provisions contained in these Articles, the Board shall reserve for the decision of the President any matter relating to:
	(i)	The Company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Government
	(ii)	The Annual and Five -Year Annual Plans for Development.
	(iii)	Winding up of the Company
	(iv)	Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the Company
	(v)	Any other matter which in the opinion of the Chairman and Managing Director be of such importance as to be reserved for the approval of the President.
Powers of President to issue directives	35.	Notwithstanding anything contained in all these Articles, the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner, may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:
	(i)	To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest
	(ii)	To call for such returns, accounts and other information with

		respect to the property and activities of the Company as may be required from time to time.
	(iii)	To determine in consultation with the Board annual, short and long term financial and economic objectives of the Company.
		Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.
	36.	No action shall be taken by the Company in respect of any proposal or decision of the Directors reserved for the approval of the President until his approval to the same has been obtained. The President shall have the power to modify such proposal or decision of the Directors.
Board may set up Committee	41.	The Board may, subject to the provisions of Section 292 of the Act, delegate any of their powers to Committees consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Directors. The proceedings of such a Committee shall be placed before the Board of Directors at the next Board Meeting or in a subsequent meeting of the Board held within a period of three months.
Specific Powers given to the Board	45.	Subject to the provisions of the Act and without prejudice to the general power conferred by these Articles, the Board shall have the following powers, that is to say, powers:-
To make bye-laws	(a)	To make, vary and repeal from time to time bye-laws for the regulation of the business of the Company, its officers and servants;
To pay & charge interests, etc.	(b)	To pay and charge to the capital account of the Company any interest lawfully payable thereat under the provisions of the Act;
To acquire property	(c)	To purchase, take on lease or otherwise acquire for the Company property, rights or privileges which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit;
To pay for property in debentures	(d)	To pay for any property or rights acquired by or services rendered to the Company, either wholly etc. or partially in cash or in shares, bonds, debentures, debenture stock or in shares that may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, debenture stock or other securities may be either specifically charged upon or any part of the property of the Company and its uncalled capital or not so charged;
To secure contracts by mortgage	(e)	To secure the fulfillment of any contracts or engagements entered into, the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit;
To refer to arbitration	(f)	To refer any claim or demand by or against the Company to arbitration and observe and perform the awards;
To invest money	(g)	To invest and deal with any of the moneys of the Company in any currency not immediately required for the purposes thereof, upon such securities and in such manner as they may

		think fit and from time to time to vary or realise such investment, subject to compliance of RBI and Government guidelines as issued from time to time.
To give bonus, to create provident fund	(h)	To provide for the welfare of employees or ex-employees of the Company or of its predecessors in business and the wives, widows and families of the dependents or connections of such employees or ex-employees by building or contributing to building of houses, dwellings or chawls or by grants of money allowances, bonuses, profit sharing bonuses, or benefit of any other kind or by creating and from time to time subscribing or contributing to provident and other association, institution funds, profit sharing or other schemes or trusts or by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and any other form of assistance, welfare or relief as the Directors shall think fit;
To subscribe to other funds	(i)	To subscribe or otherwise to assist or to guarantee money to scientific institutions or objects;
To create depreciation & other funds	(j)	To set aside before recommending any dividend out of the profit of the Company such sums as they may think proper for depreciation or to Depreciation Fund, Reserve or to Reserve Fund to meet contingencies or Insurance Fund or any special or other fund to meet contingencies or to repay Redeemable Preference Share, and for special dividends and for equalizing dividends and for repairing, replacements, improving, extending and maintaining any part of the properties of the Company and for such other purposes (including the purposes referred to in the sub - clause (i) as the Director may in their absolute discretion think conducive to the interests of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to restrictions imposed by the Act) as the Directors may think fit; and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit for the Company; in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the Directors may think fit and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares and that without being bound to keep the same separate from the other assets and without being bound to pay or allow interests on the same, with power, however, to the Directors at their discretion to pay or allow to credit such fund interest at such rate as the Director may think proper, not exceeding 6% per annum;
To create posts	(k)(i)	To create such posts, other than those to which appointment is made by the President, as they may consider necessary for the efficient conduct of the Company's affairs and to determine the scale of pay and other terms thereof;
	(ii)	To structure and implement schemes relating to Personnel and Human Resource Management Training, Voluntary or Compulsory Retirement Scheme etc.;

To appoint officers	(l)	To appoint and at their discretion remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants from permanent, temporary or special service, as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and such amounts as they may think fit and also without prejudice as aforesaid from time to time to provide for the management and transaction of the affairs of the Company in specified locality in India in such manner as they think fit;
	(m)	Subject to Section 292 of the Act, to sub-delegate all or any of the powers, authorities and discretion for the time-being vested in the Directors, subject however, to the ultimate control and authority being retained by them;
Authority to sub-delegate powers	(n)	Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them;
To lend money	(o)	To lend money to subsidiaries and associated organisations, on such terms and conditions as they may consider desirable.
Creation of joint venture(s)/ subsidiaries and disinvestment of shareholding of Joint Venture and Subsidiaries	(p)	To establish joint venture(s) and subsidiary companies in India or abroad, and to transfer assets, and divest shareholding in joint ventures and subsidiaries, subject to compliance of Government Guidelines issued from time to time.
To comply with the NLDO Licensing Agreement with DOT	45A.	The Company acknowledges compliance with the National Long Distance Operator (NLDO) Licence Agreement entered into with Department of Telecommunication (DOT) and agrees that any violation of the licence agreement shall automatically disable the Company to carry on the business of National Long Distance Operator (NLDO).
DIVISION OF PROFITS AND DIVIDEND		
Division of profits	47. (i)	The profits of the Company available for payment of division of profits or dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that unless the terms of issue otherwise provide, any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.
	(ii)	No dividend shall be declared or paid by the Company for any financial year except out of profits of the Company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of profits of the Company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government. No dividend shall carry interest against the Company.
	(iii)	For the purpose of the last preceding Article, the declaration by the directors as to the amount of the profits of the Company shall be conclusive.
	(iv)	Subject to the provisions of Section 205 of the Act as amended, no dividend shall be payable except in cash.
	(v)	A transfer of shares shall not pass the right to any dividend

		declared thereon after transfer and before the registration of the transfer.
	(vi)	Any one of the several persons, who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.
	(vii)	Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the Register in respect of the joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.
The Company in General Meeting may declare a dividend	48.	The Company in General meeting may declare a dividend to be paid to the members according to their respective right and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.
Interim dividend	49.	The Directors may from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.
Unpaid or Unclaimed Dividend	49A.	Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called the "Power Grid Corporation of India Limited Unpaid Dividend Account." Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a Fund known as Investor Education and Protection Fund established under Section 205C of the Act. No unclaimed or unpaid dividend shall be forfeited by the Board.
Capitalisation	49B. (1)	The Company may in a General Meeting, upon the recommendation of the Board, resolve that it is desirable to capitalize the whole or any part of any moneys standing to the credit of the Share Premium Account or Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits of the Company (including profits or surplus moneys realised on sale of capital assets of the Company) standing to the credit fund or reserve of the Company or in the hands of the Company and available for dividend:-
		(a) By the issue and distribution, among the holders of the shares of the Company or any of them on the footing that they become entitled thereto as capital in accordance with their respective rights and interests and in proportion to the amount paid or credited as paid thereon of paid up shares, bonds or other obligations of the Company; or (b) By crediting shares of the Company which may have been issued and are not fully paid up, in proportion to the amounts paid or credited as paid thereon respectively, with the whole or any part of the same remaining unpaid thereon.

		(c) By increasing the par value of the shares which have been issued by the Company.
	(2)	The Board shall give effect to such resolution passed by the Company pursuant to this Article, provided that
	(i)	no such distribution or payment shall be made unless recommended by the Board and if so recommended, such distribution and payment shall be accepted by such shareholders in full satisfaction of their interest in the paid capitalized sum.
	(ii)	any sum standing to the credit of a Securities Premium Account or a Capital Redemption Reserve Fund shall not be paid in cash but may only, in accordance with the applicable provisions of the Companies Act, for the purposes of these Articles, only be applied in or towards:
		(a) Paying up any amount for the time being unpaid on any shares held by such Members; (b) Paying up in full un-issued shares of the Company to be allotted, distributed and credited as fully paid up; (c) Partly in the way specified in sub-clause (a) and partly in the way specified in sub-clause (b) above. Provided that the Company in a General Meeting may resolve that any surplus money arising from the realization of any capital asset of the Company or any investments representing the same, or any other undistributed profits of the Company, be distributed among the Members.
	(3)	For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and generally may make such arrangements for the acceptance, allotment and sale of such shares, bonds or otherwise as they may think fit, and may make cash payment to any holders of shares, on the footing of the value so fixed in order to adjust rights and may vest any shares, bonds or other obligations in trustees upon such trust for adjusting such rights as may seem expedient to the Board.
	(4)	In cases where some of the shares of the Company are fully paid and others are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares and by crediting the partly paid shares with the whole or part of the unpaid liability thereon, but so that as between the holders of the fully paid shares and the partly paid shares, the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares is in direct proportion to the amounts than already paid or credited as paid on the existing fully paid and partly paid shares respectively.
	(5)	Where deemed requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, such appointment shall be effective.
WINDING UP		
Distribution of assets	57.	If the Company shall be wound up, and the assets available for distribution among the members as such shall be

		insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up at the commencement of the winding up, on the shares held by them respectively. And if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the paid up capital, such assets shall be distributed amongst the members in proportion to the original paid up capital as the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of share issued upon special terms and conditions.
	INDEMNITY AND RESPONSIBILITY	
Directors' and others' right to indemnity	59 (i)	Subject to the provisions of Section 201 (i) of the Companies Act, every Director, Manager, Auditor, Secretary or other Officer or Employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses (including travelling expenses) which any such Director, Manager, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him or them as such Director, Manager, Officer or Servant or in any other way in the discharge of his duties and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Members over all other claims
	(ii)	Subject as aforesaid, every Director, Manager or Officer of the Company shall be indemnified against any liability incurred by him or them in defending any proceedings whether civil or criminal in which judgment is given in his or their favour or in which he is or they are acquitted or in connection with any application under Section 633 of the Act in which relief is given to him or them by the Court.

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 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 will be attached to the copy of this Red Herring Prospectus delivered to the RoC for registration, and also the documents for inspection referred to hereunder may be inspected at our Corporate Office at "Saudamini", Plot No. 2, Sector 29, Gurgaon 122 001, Haryana, India, from 10.00 am to 4.00 pm during the Bidding Period.

Material Contracts

1. Engagement Letters dated August 6, 2010 for the appointment of SBI Capital Markets Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and J.P. Morgan India Private Limited, respectively, as BRLMs.

2. Issue Agreement dated October 20, 2010, among our Company, the Selling Shareholder and the BRLMs.

3. Agreement dated October 20, 2010, among our Company and the Selling Shareholder with Registrar to the Issue.

4. Escrow Agreement dated October 20, 2010, between our Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Banks, and the Registrar to the Issue.

5. Syndicate Agreement dated October 20, 2010, between our Company, the Selling Shareholder and the members of the Syndicate.

6. Underwriting Agreement dated [●], 2010, between our Company, the Selling Shareholder and the members of the Syndicate.

Material Documents

1. Our Memorandum and Articles of Association, amended until date.

2. Our certificate of incorporation dated October 23, 1989.

3. Resolution of the Board dated July 2, 2010 authorizing the Issue.

4. Copies of annual reports of our Company for the past two financial years.

5. Letter No. F. No. 11/10/2010-PG dated July 27, 2010, issued by the President of India acting through the MoP, granting approval for the Issue including the Offer for Sale.

6. Approval of the RBI for the transfer of 420,884,123 Equity Shares of our Company in favor of residents outside India in the Offer for Sale, by letter (F.E.CO.FID No.7683/10.21.208/2010-11) dated September 28, 2010.

7. Shareholders' resolution pursuant to a special resolution under section 81(1A) of the Companies Act, passed by way of a postal ballot, on October 8, 2010, in relation to this Issue and other related matters.

8. Report of the Auditors dated October 20, 2010 prepared as per Indian GAAP and mentioned in the "***Financial Statements***" on page 184.

9. The statement of general tax benefit dated October 20, 2010 prepared by the Auditors as mentioned in "***Statement of General Tax Benefits***" on page 63.

10. Consents of A.R. & Company, Chartered Accountants, Umamaheshwara Rao & Co., Chartered Accountants and S R I Associates, Chartered Accountants, for the inclusion of their report on the financial statements and the statement of general tax benefits, in the form and context in which they appear in this Red Herring Prospectus

11. Consents in writing of the Selling Shareholder, our Directors, our Company Secretary and Compliance Officer, members of the Syndicate, Auditors, Registrar to the Issue, Bankers to the Issue, Domestic Legal Counsel to our Company and the Selling Shareholder, Domestic Legal Counsel to the Underwriters, International Legal Counsel to our Company and the Selling Shareholder, International Legal Counsel to the Underwriters, Bankers to our Company and lenders to our Company (where such consent is required), the Monitoring Agency and project appraising entities with respect to the respective Identified Projects, each as referred to in this Red Herring Prospectus, in their respective capacities.

12. Resolution of the Board dated October 20, 2010, approving this Red Herring Prospectus.

13. Due diligence certificate dated October 21, 2010, to SEBI from SBI Capital Markets Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and J.P. Morgan India Private Limited.

14. BSE and NSE letters dated October 21, 2010 and October 21, 2010, respectively granting approval to use their names in this Red Herring Prospectus.

15. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors.

16. Resolution of the Board dated [●], 2010, approving the Prospectus.

17. Memorandum of Understanding between our Company and the MoP for the year 2010-2011.

18. Shareholders' Agreement dated July 4, 2003, among our Company, Tata Power and PTL, amended by a Supplementary Agreement dated August 29, 2008.

19. Implementation Agreement dated July 4, 2003, between our Company and PTL, revised by an amended and restated Implementation Agreement dated April 8, 2004.

20. Transmission Service Agreement dated July 4, 2003, between our Company and PTL, amended by a Transmission Service Agreement dated April 8, 2004 and a Supplementary Agreement dated October 7, 2004.

21. Memorandum of Understanding dated July 14, 2004, between our Company and REC.

22. Shareholders' Agreement dated June 15, 2006, among our Company, Torrent and TPL, amended by a Shareholders' Agreement dated February 23, 2007.

23. Shareholders' Agreement dated February 22, 2007, among our Company, Jaiprakash and JPL, amended by a Supplementary Shareholders' Agreement dated March 25, 2010.

24. Implementation Agreement dated February 22, 2007, between our Company and JKHCL.

25. Transmission Services Agreement dated February 22, 2007, between our Company and JPL.

26. Implementation Agreement and Transmission Services Agreement among our Company, TPL and Torrent, amended by the Implementation Agreement and Transmission Services Agreement dated February 23, 2007.

27. Shareholders' Agreement dated November 23, 2007, between our Company and RIL.

28. Implementation Agreement dated November 23, 2007, between our Company and PKTCL.

29. Operations Interface Agreement dated November 23, 2007, between our Company and PKTCL.

30. Shareholders' Agreement dated January 11, 2008, among our Company, IL&FS and PITPL.

31. Shareholders' Agreement dated August 6, 2008, among our Company, TUL and TVPTL.

32. Implementation Agreement dated August 6, 2008, among our Company, TUL and TVPTL.

33. Transmission Services Agreement dated August 6, 2008, among our Company, TUL and TVPTL.

34. Implementation and Transmission Service Agreement dated February 3, 2009, entered into by NETCL with Assam Electricity Grid Corporation Limited, Tripura State Electricity Corporation Limited, Meghalaya SEB, Electricity Department (Government of Manipur), Department of Power (Government of Nagaland), Power & Electricity Department (Government of Mizoram), Department of Power (Government of Mizoram) and OTPC.

35. Shareholders' Agreement dated February 3, 2009, among our Company, OTPC, GoT and NETCL.

36. Joint Venture Agreement dated April 8, 2009, among our Company, NTPC, NHPC and DVC.

37. Joint Venture Agreement dated November 19, 2009, among our Company, NTPC, PFC and REC.

38. Project Appraisal Document dated December 15, 2005 by the World Bank in relation to the Transmission System for Barh Generation Project, the Western Region Strengthening Scheme – II and the Strengthening of East-West Transmission Corridor.

39. Project Appraisal Document dated February 8, 2008 by the World Bank in relation to the transmission system for the Barh Generation Project, the Western Region Strengthening Scheme – II and the Strengthening of East-West Transmission Corridor.

40. Project Paper dated September 9, 2008 by the World Bank in relation to the transmission system for the Barh Generation Project, the Western Region Strengthening Scheme – II and the Strengthening of East-West Transmission Corridor.

41. Project Appraisal Document dated August 29, 2009 by the World Bank in relation to the transmission systems associated with the Mundra Ultra Mega Power Project and the Sasan Ultra Mega Power Project and the System Strengthening in Northern Region for the Sasan and Mundra Ultra Mega Power Projects.

42. Project appraisal report dated October 2009 by IFCI Limited in relation to the Western Region Strengthening Scheme – II.

43. Project appraisal report dated January 28, 2009 by CRISIL Risk and Infrastructure Solutions Limited in relation to the System Strengthening in Northern Region for Sasan and Mundra Ultra Mega Power Projects.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance with applicable law.

DECLARATION

We certify that all relevant provisions of the Companies Act, the regulations issued by the Securities and Exchange Board of India, and the guidelines issued by the Government of India, as applicable, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, or the rules or regulations issued thereunder. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors

Mr. S.K. Chaturvedi	Mr. S.C. Tripathi
Mr. J. Sridharan	Mr. Ashok Khanna
Mr. V.M. Kaul	Mrs. Sarita Prasad
Mr. R.N. Nayak	Mr. P.K. Shetty
Mr. I.S. Jha	Dr. A.S. Narag
Dr. M. Ravi Kanth	Mr. Anil K. Agarwal
Mr. Rakesh Jain	Mr. F.A. Vandrevala

On behalf of the Selling Shareholder, I certify that the statements made in this Red Herring Prospectus about or in relation to the Selling Shareholder and the Equity Shares offered pursuant to the Offer for Sale are true and correct.

Signed on behalf of the Selling Shareholder

Name: / RAKESH JAIN

Designation: सलाहकार
Financial Adviser
Ministry of Power
of India

Date:

Place: