RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated July 26, 2009
100% Book Building Issue

NHPC LIMITED

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

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

PRICE BAND: RS. 30 TO RS. 36 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH.
THE FLOOR PRICE IS 3 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 3.6 TIMES OF THE FACE VALUE.

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

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue consists of an issue for less than 25% of the post-Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**"), of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 4,19,34,350 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs.10 each and the Issue Price is [●] times of the face value. The Issue Price (as determined by our Company and the Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

IPO GRADING

Pursuant to the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("**SEBI Guidelines**"), this Issue has been graded by ICRA Limited and has been assigned a grade of 3/5 indicating average fundamentals. The IPO Grading is assigned on a five-point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For more information on the IPO Grading, see "***General Information***" and "***Annexure I***" on pages 13 and 445, respectively.

GENERAL RISKS

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

ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer, the Selling Shareholder 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 offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated September 10, 2008 and August 27, 2008, respectively. BSE is the Designated Stock Exchange.

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

ISSUE PROGRAM

BID/ISSUE OPENS ON	August 7, 2009	BID/ISSUE CLOSES ON	August 12, 2009

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SECTION I – GENERAL
DEFINITIONS AND ABBREVIATIONS

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

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

Issuer Related Terms

Term	Description
Articles of Association or Articles	The articles of association of our Company, as amended from time to time
Audit Committee	The committee described in "***Our Management***" on page 148
Auditors	The statutory auditors of our Company, M/s. GSA & Associates, Chartered Accountants
Board or Board of Directors	The board of Directors of our Company
Directors	The Directors of our Company
Memorandum of Association or Memorandum	The memorandum of association of our Company, as amended from time to time
Promoter	The President of India, acting through the Ministry of Power, Government of India
Registered Office	The registered office of our Company, which, as at the date of this Red Herring Prospectus, is located at NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, India
Subsidiary or NHDC	NHDC Limited, or NHDC, a public limited company incorporated in India under the Companies Act

Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Margin Amount that may already have been paid by such Bidder
Allotted/Allotment/Allot	Unless the context otherwise requires, the issue and allotment/transfer of Equity Shares to successful Bidders pursuant to the Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Application Supported by Blocked Amount or ASBA	Application Supported by Blocked Amount means an application for subscribing to an issue containing an authorisation to block the application money in a bidder's bank account
ASBA Bidder	An ASBA bidder means an investor who intends to apply through ASBA process and: a) is a "Resident Retail Individual Investor"; b) is bidding at cut-off, with single option as to the number of shares bid for; c) is applying through blocking of funds in a bank account with the SCSB; d) has agreed not to revise his/her Bid; and e) is not Bidding under any of the reserved categories.
ASBA Bid cum Application Form or ASBA BCAF	The form used by an ASBA Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus which includes both the electronic

Term	Description
	and physical Bid cum Application forms
Bankers to the Issue	The bankers to the Issue in this case being, ICICI Bank Limited, IDBI Bank Limited, Punjab National Bank, Deutsche Bank A.G., The Hongkong and Shanghai Banking Corporation Limited, Yes Bank Limited, ABN Amro Bank N.V., HDFC Bank Limited, Axis Bank Limited, Kotak Mahindra Bank Limited, State Bank of India and Standard Chartered Bank
Basis for allotment	The basis on which the Equity Shares will be Allotted and which is described in "***Issue Procedure***" on page 392
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the members of the Syndicate start accepting Bids for the Issue and which shall be notified in one English national newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days), during which Bidders can submit Bids, including any revisions thereof
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
Book Running Lead Managers/BRLMs	The book running lead managers to the Issue, in this case being Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited
BRLMs Memorandum of Understanding	The agreement entered into on March 30, 2007, as amended by agreement dated August 4, 2008 among our Company, the Selling Shareholder and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalised and above which no Bids will be accepted
Confirmation of Allocation Note or CAN	The note, advice or intimation of allocation of Equity Shares sent to Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof
Cut-off Price	Any price within the Price Band finalised by our Company and the Selling Shareholder in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price. ASBA Bidders can only Bid at Cut-Off Price
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC, following which our Board of Directors shall allot Equity Shares constituting the Fresh Issue and the Selling Shareholder shall give delivery instructions for transfer of Equity Shares constituting the Offer for Sale to successful Bidders
Designated Stock Exchange	BSE
DP ID	Depository Participant's Identity

Term	**Description**
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated August 5, 2008 prepared in accordance with Section 60B of the Companies Act and the SEBI Guidelines, which is filed with SEBI and does not contain complete particulars of the price at which the Equity Shares are offered
Eligible Employee	All or any of the following: (a) a permanent employee of our Company as of the date of this Red Herring Prospectus and based, working and present in India as on the date of submission of the Bid cum Application Form; (b) a whole time Director of our Company as of the date of this Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; (c) an employee as defined in (a) and (b) above of a subsidiary, based, working and present in India as on the date of submission of the Bid cum Application Form; and For the purpose of this definition, an employee who is recruited against regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will also be deemed as a permanent employee.
Eligible NRI	An NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom this Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares
Employee Reservation Portion	The portion of the Issue, being 4,19,34,350 Equity Shares, available for allocation to Eligible Employees
Enam	Enam Securities Private Limited
Equity Shares	Unless the context otherwise indicates, the Equity Shares of our Company with a face value of Rs. 10 each
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	The agreement to be entered into between our Company, the Selling Shareholder, the Registrar, the BRLMs, Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Banks	The Escrow Collection Banks in this case being, ICICI Bank Limited, IDBI Bank Limited, Punjab National Bank, Deutsche Bank A.G., The Hongkong and Shanghai Banking Corporation Limited, Yes Bank Limited, ABN Amro Bank N.V., HDFC Bank Limited, Axis Bank Limited, Kotak Mahindra Bank Limited, State Bank of India and Standard Chartered Bank, which are clearing members and registered with the SEBI as Bankers to the Issue and with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue	Fresh issue of 1,11,82,49,343 Equity Shares by our Company
Fresh Issue Proceeds	The proceeds of the Fresh Issue available to our Company excluding the proceeds of the Offer for Sale.
Identified Projects	The identified projects, namely, Subansiri (Lower), Uri II, Chamera III, Parbati III, Nimoo Bazgo, Chutak and Teesta Low Dam IV hydroelectric projects of the Company proposed to be funded from the Net Proceeds of the Fresh Issue
IPO Grading Agency	ICRA Limited
Issue	Issue of 1,67,73,74,015 Equity Shares, comprising a Fresh Issue of 1,11,82,49,343 Equity Shares of our Company and an Offer for Sale of

Term	Description
	55,91,24,672 Equity Shares by the Selling Shareholder
Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
Issue Price	The final price at which Equity Shares will be Allotted. The Issue Price will be decided by our Company and the Selling Shareholder in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and in terms of this Red Herring Prospectus
Kotak	Kotak Mahindra Capital Company Limited
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount
Monitoring Agency	IDBI Limited
MoP	Ministry of Power, Government of India
Mutual Funds	Mutual funds registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion	5% of the QIB Portion or up to 4,90,63,190 Equity Shares, available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue	Issue less the Employees Reservation Portion, consisting of 1,63,54,39,665 Equity Shares to be Allotted in the Issue at the Issue Price
Net Proceeds of the Fresh Issue	Proceeds of the Fresh Issue that are available to our Company, excluding the proceeds of the Offer for Sale and the Issue related expenses
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount higher than Rs. 1,00,000
Non-Institutional Portion	The portion of the Net Issue, being up to 10% of the Net Issue or 16,35,43,966 Equity Shares at the Issue Price, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, as defined under the Foreign Exchange Management Act, 1999, and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Offer for Sale	55,91,24,672 Equity Shares being offered by the Selling Shareholder, pursuant to this Red Herring Prospectus
Pay-in Date	The Bid/Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount, or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the Pay-in Date
Price Band	The price band between the Floor Price of Rs. 30 per Equity Share and the Cap Price of Rs. 36 per Equity Share, including all revisions thereof
Pricing Date	The date on which our Company and the Selling Shareholder in consultation with the BRLMs finalise the Issue Price
Prospectus	The prospectus to be filed with the RoC pursuant to Section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date, including any corrigendum thereof
QIB Portion	The portion of the Net Issue being at least 60% of the Net Issue or 98,12,63,799 Equity Shares at the Issue Price to be allotted to QIBs on a proportionate basis
QIB Margin Amount	An amount representing at least 10% of the Bid Amount being the amount QIBs are required to pay at the time of submitting a Bid
Qualified Institutional Buyers or QIBs	Public financial institutions specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, FVCIs, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 25 crore, pension funds with a minimum corpus of Rs. 25 crore and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23,

Term	Description
	2005 of the GoI, published in the Gazette of India
Red Herring Prospectus or RHP	This red herring prospectus dated July 26, 2009 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and which is filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Bank(s)	An Escrow Collection Bank(s) in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made, in this case being, ICICI Bank Limited and Kotak Mahindra Bank Limited
Registrar to the Issue	Karvy Computershare Private Limited
Resident Retail Individual Investor or RRII	Resident Retail Individual Investor means a retail individual investor who is a person resident in India as defined in the Foreign Exchange Management Act, 1999
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue being up to 30% of the Net Issue, or 49,06,31,900 Equity Shares at the Issue Price, available for allocation to Retail Individual Bidders
Revision Form	The form used by Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
SBI CAPS	SBI Capital Markets Limited
Self Certified Syndicate Bank or SCSB	It is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 which offers the service of making an Application Supported by Blocked Amount and is recognised by SEBI
Selling Shareholder	The President of India acting through the Ministry of Power, Government of India, including through his nominees
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs and the Syndicate Member(s)
Syndicate Agreement	The agreement among the members of the Syndicate, our Company and the Selling Shareholder in relation to the collection of Bids in the Issue
Syndicate Member (s)	Kotak Securities Limited and SBICAP Securities Limited
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement among our Company, the Selling Shareholder and the Underwriters to be entered into on or after the Pricing Date

Conventional and General Terms

Term	Description
AAR	Authority for Advance Ruling
Act or Companies Act	The Companies Act, 1956 as amended from time to time
Alstom India	Alstom Projects India Limited
AS	Accounting Standard
ATE	Appellate Tribunal for Electricity
BSE	The Bombay Stock Exchange Limited
CAD	Canadian Dollar
CDSL	Central Depository Services (India) Limited
CEI	Chief Electrical Inspector
CEP	Construction, Equipment and Planning
CHF	Swiss Franc

Term	Description
CIT (A)	Commissioner of Income Tax (Appeals)
CLRA	The Contract Labour (Regulation and Abolition) Act, 1970 as amended from time to time
Cr.P.C.	Code of Criminal Procedure, 1973, as amended from time to time
Crore	10 million
CSR	Corporate Social Responsibility
CPMG	Corporate Project Monitoring Group
D.G.	Diesel generator
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant or DP	A depository participant as defined under the Depositories Act
DIN	Director Identification Number
DVC	Damodar Valley Corporation
€	Euro
E&M	Electrical and Mechanical
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of our Company
EPS	Earnings per share, i.e., profit after tax for a Fiscal year divided by the weighted average number of equity shares during the Fiscal year
ESOP	Employees stock option plan recommended by the Pay Committee for all public sector undertakings
FAA	First Appellate Authority
Factories Act	Factories Act, 1948, as amended from time to time
FBT	Fringe Benefit Tax
FC	Foreign currency
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with the SEBI
Financial Year/Fiscal/FY	Period of 12 months ended March 31 of that particular year
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time) registered with the SEBI
GDP	Gross Domestic Product
GoI	Government of India
GRA	Grievance Redressal Authority
HCC	Hindustan Construction Company Limited
HP	Himachal Pradesh
HUF	Hindu Undivided Family
IAS	Indian Administrative Service
IDC	Interest during construction
IFRS	International Financial Reporting Standards
IGNOU	Indira Gandhi National Open University
IT&C	Information Technolgy and Communications
I.T. Act	Income Tax Act, 1961, as amended from time to time
I.T. Department	Income Tax Department
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering (i.e., the Issue)
IRDA	Insurance Regulatory and Development Authority
J&K	Jammu & Kashmir
JDA	Jammu Development Authority
JKSPDC	Jammu & Kashmir State Power Development Corporation Limited

Term	Description
JPY	Japanese Yen
L&T	Larsen & Toubro Limited
LIBOR	London Inter Bank Offering Rate
LIC	Life Insurance Corporation of India
MAT	Minimum Alternate Tax
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MPSEB	Madhya Pradesh State Electricity Board
MPTRADECO	MP Power Trading Company Limited
N.A. or N/A	Not Applicable
NBA	Narmada Bachao Andolan
NEAA	National Environment Appellate Authority
NEFT	National Electronic Fund Transfer
NHPTL	National High Power Test Laboratory Private Limited
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NPEX	National Power Exchange Limited
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
O&M	Operation and Maintenance
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
p.a	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PAPs	Project-affected persons
PAT	Profit after tax
PIO	Public Information Officer
PMG	Project Monitoring Group
PSEB	Punjab State Electricity Board
PTC	PTC India Limited
QA&I	Quality Assurance and Inspection
R&D	Research and Development
R&R Policy	Our Rehabilitation and Resettlement Policy, 2007, which is based on the National Resettlement and Rehabilitation Policy, 2007 of the GoI.
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, NCT of Delhi and Haryana
RoE	Return on equity
RoNW	Return on net worth
RPC	Regional Power Committee
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
RTI Act	Right to Information Act, 2005
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
SEBI Insider Trading	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from

Term	Description
Regulations	time to time
SEK	Swedish Kroner
STT	Securities Transaction Tax
Supreme Court	Supreme Court of India
T&HRD	Training and Human Resource Development
T&RE	Transmission and Rural Electrification
TCS	Tata Consultancy Services Limited
UNDP	United Nations Development Program
USA or U.S.	United States of America
US$ or USD or US Dollar	U.S Dollar
VAT	Value Added Tax
w.e.f	With effect from

Technical and Industry-Related Terms

Term	Description
AAD	Advance Against Depreciation
ABT	Availability Based Tariff
AFC	Annual Fixed Charges
AGL	Above Ground Level
AMSL	Above Mean Sea Level
APGENCO	Andhra Pradesh Generation Company
BBMB	Bhakra Beas Management Board
BRRP/BREW	Bihar Rural Road Projects/Bihar Rural Electrification Works
CCEA	Cabinet Committee on Economic Affairs
CDM	Clean Development Mechanism
CEA	Central Electricity Authority
CER	Certified Emission Reduction
CERC	Central Electricity Regulatory Commission
CPSU	Central Public Sector Undertaking
CWC	Central Water Commission
Design energy	The quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the generating station
DPE	Department of Public Enterprises
DPR	Detailed Project Report
EIA	Environmental Impact Assessment
Electricity Supply Act	Electricity (Supply) Act, 1948
EMP	Environment Management Plan
EOT	Electric Overhead Travelling
EPA	Environment (Protection) Act, 1986
ERC	Electricity Regulatory Commission
ERC Act	Electricity Regulatory Commission Act, 1998
ERP	Enterprise Resource Planning
FCA	Forest (Conservation) Act, 1980
GIS	Geographic Information System
HR	Human resources
IPP	Independent Power Producer
KW	Kilo Watt
KWh	Kilo Watt Hour
Land Acquisition Act	Land Acquisition Act, 1894
LC	Letter of credit
MAHAGENCO	Maharashtra Generation Company
MoEF	Ministry of Environment and Forest, Government of India
MU	Million Units
MW	Mega Watt

Term	Description
NAPAF	Normative Annual Plant Availability Factor
NBWL	National Board for Wildlife
NPV	Net present value
One Time Settlement	Scheme for One Time Settlement of outstanding dues
PFC	Power Finance Corporation Limited
PGCIL	Power Grid Corporation of India Limited
PIB	Public Investment Board
PPA	Power Purchase Agreement
REC	Rural Electrification Corporation Limited
RES	Renewal Energy Sources, which includes small hydro, wind and biomass
RoR	Run-of-the-river
SCADA	Supervisor Control and Data Acquisition
SEB(s)	State Electricity Board(s) and their successor(s), if any, including those formed pursuant to restructuring/unbundling
Self Adjusting Formula	The capacity charge equal to the AFC minus the primary energy charge, which is equal to the product of saleable primary energy (in MU) multiplied by the prime energy rate
SERC	State Electricity Regulatory Commission
STU	State Transmission Utility
Tailrace discharge	The discharge of water coming out of the machine after generation of electricity
TEC	Techno Economic Clearance
TEA	Techno Economic Appraisal
THDC	Tehri Hydro Development Corporation Limited
Tripartite Agreements	Tripartite Agreements executed among the GoI, RBI and the respective State governments
Unit	1 KWh, i.e. the energy contained in a current of one thousand amperes flowing under an electromotive force of one volt during one hour
VSAT	Very Small Aperture Terminal (based satellite)

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

Certain Conventions

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

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our Restated Unconsolidated as well as Consolidated Financial Statements as of March 31 for the Fiscals ended 2009, 2008, 2007, 2006, and 2005 prepared in accordance with the Generally Accepted Accounting Principles in India ("**Indian GAAP**") and the Companies Act and adjusted in accordance with the SEBI Guidelines, as stated in the reports of our Auditors included in "***Financial Statements***" on page 174.

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

Currency and Units of Presentation

All references to "**Rupees**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US$**" or "**USD**" or "**U.S. Dollar**" are to United States Dollars, the official currency of the United States of America. All references to "**€**" are to Euros, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "**Japanese Yen**" or "**JPY**" are to the Japanese Yen, the official currency of Japan. All references to "**SEK**" are to the "**Swedish Kroner**", the official currency of Sweden. All references to "**CAD**" are to the Canadian Dollar, the official currency of Canada. All references to "**CHF**" are to the Swiss Franc, the official currency of Switzerland.

Market and Industry Data

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

Exchange Rates

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

Currency	Exchange rate into Rs. as on March 31, 2009	Exchange rate into Rs. as on June 30, 2009
1 US$	52.17	48.64
1 JPY	0.54	0.51
1 Euro	68.91	68.34
1 CAD	41.78	42.10
1 SEK	6.28	6.28
1 CHF	45.43	44.82

Source: www.oanda.com

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are based on our current plans and expectations and actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- contingent liabilities that may materialize;
- our exposure to significant liabilities on account of unfavourable judgements/decisions in relation to legal proceedings involving our Company and/or our Subsidiary, NHDC Limited ("**NHDC**"), including damages payable to affected parties on account of petitions filed by public interest groups;
- increased costs of developing our projects caused by delays due to unforeseen circumstances;
- non-receipt of necessary environmental and other government clearances;
- long gestation period of our projects;
- unbundling of the operations of the SEBs;
- unforeseen meteorological, geological or hydrological conditions;
- regulatory changes pertaining to the industry in India in which our Company has its business and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, technological changes;
- our exposure to market risks;
- general economic and political conditions in India and which have an impact on our business activities or investments;
- the monetary and Fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in India and globally;
- changes in domestic tax rates including Central Electricity Regulatory Commission's ("**CERC**") tariff regulations; and
- changes in competition in our industry.

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

SECTION II - RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with "**Our Business**" and "**Management's Discussion and Analysis of Results of Operations and Financial Conditions**" on pages 87 and 281, respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus. Any of the following risks as well as the other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.*

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

Internal Risk Factors

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

We currently have four criminal proceedings against us pending in various courts. Amongst the cases filed against us, one case is pending before the Sub-divisional Magistrate, Chamba in relation to alleged nuisance caused due to various activities and one case before the District Magistrate, Chamba for the recovery of leave salary and compensation amount. Additionally, there are two cases filed by the Labour Commissioner, Kullu and the Labour Inspector, Chamba for alleged non-compliance with the provisions of the Factories Act, 1948 ("**Factories Act**"). The aggregate monetary claim against our Company in these proceedings is Rs. 0.59 crore. 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. For further information, see "***Outstanding Litigation and Material Developments***" on page 316.

2. ***We have contingent liabilities that we have not provided for, which if materialise, may adversely affect our financial condition.***

As of March 31, 2009, the contingent liabilities that we have not provided for appearing in our Restated Consolidated Financial Statements are as follows:

(Rs. in crore)

Particulars	Amount
Claims against our Company not acknowledged as debts in respect of:	
Capital Works	4,059.23
Land Compensation Cases	1,839.09
Other	411.33
Disputed Income Tax Demand, Excise and Sales Tax	2,062.41
Total	**8,372.06**

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

3. ***Due to certain adjustments made in our audited financial information, investors are advised to refer only to our restated financial statements from Fiscal 2005 to 2009 as set forth in this Red Herring Prospectus.***

Our unconsolidated and consolidated financial information for Fiscals 2009, 2008, 2007, 2006 and 2005 has been restated in accordance with the Companies Act and adjusted in accordance with the SEBI Guidelines, as stated in the reports of our Auditors included in "***Financial Statements***" on page 174. The unconsolidated and consolidated financial information of our Company has been restated after making necessary adjustments and regrouping, with retrospective effect, to, *inter alia*, reflect changes in the significant accounting policies and restatement of prior period items. This restatement has resulted in changes in our financial information as compared to the financial information contained in our Draft Red Herring Prospectus. Investors are, therefore, advised to refer only to our restated financial information as contained in this Red Herring Prospectus before making an investment decision in the Equity Shares of our Company.

4. ***Investors are advised to note the increase in our contingent liabilities pursuant to a reassessment of our exposure to certain claims and a restatement of our financial information.***

We undertook a reassessment of our Company's contingent liabilities to take into account the claims relating to land acquisition proceedings falling under rehabilitation and resettlement in our Subsidiary, NHDC. This reassessment of contingent liabilities and consequent restatement of financial information for Fiscals 2005 to 2008 has resulted in an increase in our contingent liabilities as compared to the contingent liabilities disclosed in the Draft Red Herring Prospectus. Investors are advised to note the increase in our total contingent liabilities before making an investment decision in the Equity Shares of our Company. For further information, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingent Liabilities***" on page 311.

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

There are certain outstanding legal proceedings against our Company pending at different levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as a change in applicable laws or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. Further, we also receive requests for information under the Right to Information Act, 2005 ("**RTI Act**"), from various third parties from time to time. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business, financial condition and results of operations. Details of the proceedings that have been initiated against our Company are set forth below:

(Rs. in crore except as otherwise stated)

Nature of Proceedings	**Number of proceedings**	**Claimed/Disputed Amount as on July 22, 2009**
Criminal matters	4	0.59
Statutory notices	1	-
Complaints	3	-
Consumer cases	3	0.78
Public interest litigation and environment matters	9	-
CERC cases	3	-
Income tax cases**	7	-
Commercial tax matters and service tax matters	27	170.67
Civil suits	146	61.10
Land acquisition related matters	416	81.84

Nature of Proceedings	Number of proceedings	Claimed/Disputed Amount as on July 22, 2009
Labour-related proceedings	171	1.10
Motor accident claims related litigation	15	2.24
Arbitral proceedings including counter claims filed by other parties	81	1,147.29 + USD 0.06 crore* + CAD 0.15 crore*
RTI applications	30	-
Total	**916**	**1,465.61+ USD 0.06 crore* + CAD 0.15 crore***

** 1 USD= Rs. 48.64 as on June 30, 2009 (Source: www.oanda.com)*
1 CAD= Rs. 42.10 as on June 30, 2009 (Source: www.oanda.com)
*** The total claimed amount has already been paid under dispute and is currently being contested. Hence the aggregate claim amount has not been included here.*

In addition, there are certain legal notices, suits, appeals, proceedings, CERC litigation and arbitral claims that have been filed by our Company, which are pending before various forums. With respect to compensation payable in respect of land acquired for our projects, in addition to the legal proceedings mentioned above, compensation hearings are conducted in the ordinary course by the concerned Land Acquisition Officers and District Collectors under the Land Acquisition Act, 1894 ("**Land Acquisition Act**"). The government of the state in which the project is located is ultimately responsible for disbursing compensation provided by us in respect of the project affected persons ("**PAPs**"). The aggregate amount that our Company may be required to pay in respect of compensation hearings currently in process, and the total number of persons or villages affected, are not presently quantifiable.

In addition, certain directors and officers of our Company and NHDC, including Mr. S.K. Garg, the Chairman and Managing Director of our Company and NHDC, and Mr. Pradip Bhargava, a Director of NHDC, are, from time to time, impleaded in certain cases in their respective official capacities.

For further information, see "***Outstanding Litigation and Material Developments***" on page 316.

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

Our Company and our Subsidiary are presently, and may in future, be subject to risks of litigation, including public interest litigation, in relation to the environmental impact of our projects or in relation to acquisition of land and our construction activities for our projects and consequent displacement and rehabilitation of persons. Any such claims may delay or prevent us from implementing our current or future projects, or may require us to bear substantial compliance, rehabilitation or other project associated costs or may require us to incur significant liabilities which may be beyond our current estimates.

Certain persons and non-governmental organisations, including the Narmada Bachao Andolan ("**NBA**"), have filed petitions against us and our Subsidiary in various courts, challenging, among other things, the amount of compensation paid to certain project-affected persons or alleging arbitrary inclusion or exclusion of land for submergence in connection with construction of dams, and seeking additional resettlement and rehabilitation assistance. Further, we have also received three notices from NBA on September 12, 2008, September 16, 2008 and September 24, 2008 addressed to the Chairman, SEBI pointing out concealment of information relating to certain litigation filed by NBA pending against our Company and NHDC, in the DRHP filed with SEBI on August 6, 2008. For further information, see "***Outstanding Litigation and Material Developments - Complaints received from the Narmada Bachao Andolan***" on page 318.

For instance, there are presently nine environmental related proceedings including public interest litigation and 416 land-acquisition related proceedings pending against our Company before various courts and authorities in India. Further, there are 10,939 land-acquisition related proceedings including four special leave petitions and 31 writ petitions pending against NHDC, pertaining to acquisition of land for our projects and consequent displacement and rehabilitation of PAPs. Certain directors and officers of our Company and NHDC, including Mr. S.K. Garg, the Chairman and Managing Director of our Company and NHDC, and Mr. Pradip Bhargava, a Director of NHDC, have been also impleaded in certain contempt petitions in this relation, in their respective official capacities. NHDC has quantified the aggregate claim against it in the land-acquisition and resettlement or rehabilitation related proceedings as being in excess of Rs. 1,844 crore. However, NHDC's actual liability in the event these cases are determined against it, and the total number of persons or villages affected, are not presently possible to quantify and if these cases are determined against NHDC, our liabilities may far exceed our current estimates which will have a material adverse effect on our business, financial condition and results of operation. For further information, see "***Outstanding Litigation and Material Developments***" on page 316.

There is no assurance that such proceedings will be decided in our favour or that we will not face similar claims in the future. Any such delays or increased costs may affect the profitability of our business or restrict our expansion plans.

Specific attention of the investors is invited to "***Outstanding Litigation and Material Developments***" on page 316 and investors are advised to read the disclosures set forth in that chapter prior to making any investment decision in the Equity Shares of our Company.

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

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

(Rs. in crore except as otherwise stated)

Nature of Proceedings	**Number of proceedings**	**Claimed/Disputed Amount as on July 22, 2009**
Civil suits	9	8.71
Land acquisition related matters	10,939	1,843.64
Labour-related proceedings	7	0.07
Arbitral proceedings including counter claims filed by other parties	8	108.61 + Euro 0.23 crore*
Taxation	1	8.72
RTI applications	4	-
Total	**10,968**	**1,969.75+ Euro 0.23 crore***

** 1 Euro= Rs. 68.34 as on June 30, 2009 (Source: www.oanda.com)*

Certain directors and officers of our Company and NHDC, including Mr. S.K. Garg, the Chairman and Managing Director of our Company and NHDC, and Mr. Pradip Bhargava, a Director of NHDC, have been impleaded in certain of these cases in their respective official capacities. In addition, there are certain legal notices, suits, appeals, proceedings and arbitral claims that have been filed by NHDC that are pending before various forums.

With respect to compensation payable in respect of land acquired for NHDC's projects, in addition to the legal proceedings mentioned above, compensation hearings are conducted in the ordinary course by the concerned Land Acquisition Officers and District Collectors under the Land Acquisition Act. The government of the State in which the project is located is ultimately responsible for disbursing compensation provided by NHDC in respect of the PAPs. The aggregate amount that NHDC may be required to pay in respect of compensation hearings currently in process is not presently quantifiable. For further information, see ***"Outstanding Litigation and Material Developments"*** on page 316.

Specific attention of the investors is invited to "***Outstanding Litigation and Material Developments***" on page 316 and investors are advised to read the disclosures set forth in that chapter prior to making any investment decision in the Equity Shares of our Company.

8. ***We may be subject to regulatory sanctions by the RoC resulting from a failure to comply with applicable Indian company laws and accounting requirements.***

The RoC has issued an order (No. 5.332.08/ROC/D/MS/6266) dated October 14, 2008 to the Company, pursuant to its powers under section 234(1) of the Companies Act, seeking information and explanations with respect to our financial statements as of and for the period ending March 31, 2008, including in relation to some of our Company's projects. The majority of these requests for information and clarification relate to alleged non-compliance with Indian accounting standards and non-compliance with corporate governance and other requirements of the Indian Companies Act. For further information see "***Outstanding Litigation and Material Developments - Statutory Notices***" on page 317. We filed replies to this order on October 29, 2008, November 17, 2008 and March 24, 2009 responding to the RoC's requests. We are awaiting further correspondence from the RoC in response to our replies.

Whilst we believe that we have adequately complied in all material respects with this order and furnished the RoC with all necessary information, the RoC has wide-ranging administrative powers to deal with any failure to comply with continuing regulatory oversight. These powers include the imposition of fines on our Company, the imposition of other sanctions for non-compliance and also report to the Central Government to investigate into the affairs of our Company. Regulatory sanctions resulting from a failure to comply with such continuing regulatory oversight could have a materially adverse effect on our financial condition and results of operations. In particular, any requirement to adopt alternative accounting standards or otherwise revise the manner in which we prepare our financial statements may negatively impact our reported earnings, cash flows and other financial results.

9. ***The appointment of our current Chairman and Managing Director is subject to the outcome of a writ petition filed against us in the High Court of Guwahati, which, if determined against us, may require us to appoint a new Chairman and Managing Director for our Company which may affect the functioning of our Company.***

Mr. S.C. Sharma has filed a writ petition in the Guwahati High Court claiming that his candidature for appointment as the Chairman and Managing Director of our Company was wrongly rejected. He has demanded, among other things, orders restraining us from considering any other candidate for appointment as Chairman and Managing Director of our Company, and an interim order provisionally appointing him as Chairman and Managing Director of our Company. The High Court had issued interim orders to this effect in January 28, 2005, against which we had filed a special leave petition before the Supreme Court of India ("**Supreme Court**"). The Supreme Court has struck down the interim order of the High Court, and the case is currently pending in the High Court. For further information, see "***Outstanding Litigation and Material Developments***" on page 316.

10. ***The construction and operation of hydroelectric projects has faced opposition from local communities and other parties, including in the form of litigation instituted against our Company and Subsidiary and we may continue to face such opposition in the future.***

The construction and operation of hydroelectric projects has faced opposition from local communities where these projects are located and from special interest groups. We as well as our Subsidiary have encountered opposition to the construction or operation of our projects in the past and we cannot assure you that we will not encounter such opposition in the future. For instance, our Lachen hydroelectric project at Sikkim is currently facing opposition from local communities which has resulted in a delay in the survey and investigation works.

In general, we are more at risk from opposition to hydroelectric projects that require the construction of storage facilities because construction of such facilities involves the inundation of surrounding land. The resettlement and rehabilitation programme for PAPs is developed on a project by project basis and is included in our budget for each project. Whilst we have set up an institutional framework to implement our resettlement and rehabilitation policy, the government of the State in which the project is located is ultimately responsible for disbursing compensation provided by us in respect of the PAPs. Significant opposition by local communities, special interest groups and other parties to the construction of our projects, including by way of litigation initiated against our Company and our Subsidiary, may adversely affect our reputation and financial condition. For further information, see "***Outstanding Litigation and Material Developments***" on page 316.

11. ***We have had negative cash flows in recent Fiscal periods as our expenditures on fixed assets exceeded our dividend income in these periods. There is no assurance that such negative cash flows shall not recur in future Fiscal periods.***

As per our Consolidated Restated Financial Statements, our Company has had negative cash flows from its investment activities in certain recent Fiscal periods, because our expenditures on fixed assets exceeded our dividend income in these periods. The details of our cash flows in the preceding three Fiscals are set forth below:

(Rs. in crore)

	Year ended March 31,		
	2009	**2008**	**2007**
Net cash flow from operating activities	3,356.53	3,208.97	2,035.69
Net cash flow used in investment activities	(2,996.29)	(2,753.94)	(2,923.65)
Net cash flow from (used in) financing activities	(100.03)	1,074.55	811.47
Net cash and cash equivalents at the end of the year	2,606.08	2,345.87	816.29

As a result, we have to such extent, used our accumulated reserves in addition to equity and debt to finance our activities. There is no assurance that such negative cash flows will not recur in future Fiscal periods. For further information, see "***Management's Discussion and Analysis of Financial Condition and Result of Operation – Cash Flows***" on page 305.

12. ***Recent announcements by the Government of India relating to increased wages for government employees will increase our expenses and may adversely affect our financial condition in the years of implementation.***

Pursuant to memoranda issued by the Department of Public Enterprises ("**DPE**") on November

26, 2008 and April 2, 2009, the Government of India ("**GoI**") has increased the pay scales of board members and executive officers of government enterprises, including our Company. These directives also require such government enterprises to implement salary increases for employees below executive level and these wage increases are to be determined by the boards and management of the relevant government enterprises. Salary increases for all affected government employees will be retrospectively effective from January 2007.

As of March 31, 2009, we have made total provisions of Rs. 413.86 crore for this retrospective salary payment. This provision has been based on our estimates taking into account the payment requirements outlined in the DPE memoranda. The increased employee cost may adversely affect our financial condition in the years following implementation.

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

13. Some of our immovable properties have certain irregularities in their documentation and as a result of this these properties have deficiencies in title, which may adversely affect our operations.

The conveyance deeds and/or title deeds have not yet been executed in our favour in respect of certain of our immovable properties. The auditors have noted in their report on the "***Restated Unconsolidated Financial Statements***" on page 174, that title deeds/title in respect of land of some projects/units located in Dulhasti, Uri-I and II, Salal, Chutak, Kishanganga, Chamera I and III, Sewa II, Koel Karo, Parbati II and III, Dhauliganga and Subansiri Lower amounting to Rs. 92.69 crore and covering an area of 2,046.46 hectares have yet to be executed. Accordingly, the Auditors have noted that we will be liable for certain stamp duty and registration expenses. In addition, there are certain properties for which mutations (the process by which changes in beneficial ownership is formally recorded in land registries in India) have not yet been carried out in the records of the local land registries. We cannot assure you that the relevant authorities/parties with whom we have entered into contractual arrangements in relation to our important immovable properties will not allege breach of our contractual obligations including registration and stamp duty requirements. In addition, some of the leases on our leasehold properties may have expired and certain of our property documents may not be adequately stamped.

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

Our business may be adversely affected if we are unable to continue to utilise these premises and any other properties that suffer from any such deficiencies or irregularities. For further information on the premises owned and leased by us, see "***Our Business - Properties***" on page 117.

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

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

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

In addition, the costs, timing and complexities of project development and construction can increase because of the remote location of many of our hydroelectric project sites. Specifically, such uncertainties may cause delays, cancellations or modifications in the scope or schedule of our incomplete projects or projects included in our future plans, which may adversely affect our predicted cash flow position, revenues and earnings. Due to the possibility of cancellations or adjustments in project scope, we cannot predict with certainty when, if or to what extent or at what cost a project currently under development or a planned future project will be completed. In particular, the Ministry of Environment and Forests ("**MoEF**") has decided that since North Sikkim is an ecologically sensitive and geologically unstable area for undertaking major projects, projects above the Chungthang area should not be considered for the construction of dams and large scale development activities. Since the Lachen Hydroelectric Project of our Company falls within this area, the current status of the project is under review by the management of our Company.

Furthermore, any delays associated with the commissioning of our projects that are inter-dependent on other projects for a variety of reasons including water supply and tailrace discharge may lead to disruptions in the dependent project including reduction in generation capacity. In particular, we believe that the delay in the commissioning of the Parbati II project may result in a reduction in the generation capacity of Parbati III project from approximately 1,963 MUs to approximately 972.20 MUs of energy since the Parbati III project is dependent upon the tailrace discharge from the Parbati II project which may result in a material adverse effect on our business and financial condition.

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

15. Our trademark is not currently registered under the Trade Marks Act, 1999. Any failure to protect our intellectual property rights may adversely affect our business.

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

16. Pursuant to the determination of the Price Band in the Issue, more than 25% of the Net Proceeds of the Fresh Issue will be deployed towards general corporate purposes and our Company may not be able to make adequate disclosures with regard to such utilization.

Pursuant to the determination of the Price Band, the Net Proceeds from the Fresh Issue exceeds our current estimates, for which we have disclosed the proposed deployment of funds with respect to our Identified Projects in "***Objects of the Issue***" on page 36. The portion of the Net Proceeds of the Fresh Issue which will be used for general corporate purposes, upon determination of the Price Band, exceeds 25% of the Net Proceeds of the Fresh Issue. In this regard, our Company will not be able to make adequate disclosures to inform investors of the utilization of funds for general corporate purposes, as our Company has not yet entered into any definitive agreements, and the Board has not yet authorised any specific commitments, with respect to utilization of the portion of the Net Proceeds of the Fresh Issue which will be used for general corporate purposes.

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

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

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

We will require significant additional capital to finance our business plan, in particular, our capacity expansion plan. In Fiscal 2009, GoI approved a budget estimate of Rs. 4,668 crore for our Company and approved a budget of Rs. 27.08 crore for our Subsidiary. We expect these proposed capital expenditures to be funded through internal accruals and through the issue of Equity Shares, as well as grants and loans from the GoI and debt financing. Our ability to finance our capital expenditure plans is subject to a number of factors, some of which are beyond our control, including tariff regulations, our results of operations, general economic and capital market conditions, borrowing or lending restrictions, if any, imposed by state governments, the GoI and the Reserve Bank of India ("**RBI**"), our ability to obtain financing on acceptable terms, and the amount of dividends required to be paid to the GoI and our public shareholders. In addition, in the past some lenders have not disbursed funds to us when scheduled to do so. In particular, our financing activities were impacted in Fiscal 2009 by delays beyond our control in obtaining clearance from state governments prior to using land that was previously government land, but which has been transferred to us, as security for loans, as required under the Transfer of Property Act, 1882. Also, adverse developments in the credit markets may significantly increase our debt service costs and the overall cost of our funds. We cannot assure you that debt or equity financing or our internal accruals will be available or sufficient to meet our capital expenditure requirements. This may, in turn, adversely affect the implementation of our current projects or future business plans.

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

In Fiscal 2009 we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. We are obliged to supply power to State electricity entities, including their successors and unbundled entities, in accordance with the terms of the allocation letters issued by the GoI and the terms of power purchase agreements ("**PPAs**") entered into with these entities and the GoI. Pursuant to Tripartite Agreements entered into among the GoI, the RBI and respective state governments, our billings to the SEBs are currently secured through letters of credit. In addition, we can secure payment by regulating the power supply to a defaulting entity, or directly recover from the GoI payments that are funded from Central Plan Assistance given to the relevant State. Although these security mechanisms are in place under Tripartite Agreements that are valid until 2016, we cannot assure you that the State electricity entities will always be required to, or be able to, secure their payments to us. Any change that adversely affects our ability to recover our dues from the State electricity entities may adversely affect our financial position.

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

Historically, the GoI has provided up to 100% of the equity funding for our power projects. Under the CERC tariff policy introduced for Fiscal 2002 to Fiscal 2004 and Fiscal 2005 to Fiscal 2009, the maximum portion of a project that can be funded by equity is 30%. While the GoI provided us with equity funding during Fiscal 2002 to Fiscal 2007, the GoI did not provide equity funding for our projects under construction in Fiscal 2008 or Fiscal 2009. One of the preconditions to us being granted Mini Ratna Category – I status in April 2008 was an assurance that we would not require equity funding from the GoI. As such, there can be no assurance that the GoI will provide us with any further equity funding. Additionally, after the Issue, we may be required to fund the equity component of our capital expenditures solely from internally generated funds and funds raised from the issuance of our Equity Shares or other securities. While we have received approval from the GoI for equity issuances not exceeding 24% of our paid-up capital, we may not be able to generate adequate funds for completion of all our current and planned future projects.

21. The implementation of CERC's tariff regulations for the period from April 1, 2009 to March 31, 2014 may adversely affect our cash flow and results of operations.

The tariff payable to us by our customers for the sale of energy from our hydropower stations are determined by the CERC and supported by PPAs, which are entered into between our Company and the respective state governments and their successor entities. A tariff policy was issued by CERC by way of notification no. L-7/145(160)/2008-CERC dated January 19, 2009, and relates to the period from April 1, 2009 to March 31, 2014. This tariff policy will impact our revenues from sales of energy going forward.

The tariff is determined by reference to annual fixed charges ("**AFC**"), which are comprised of energy charges and capacity charges. Changes to how capacity charges are calculated may have a negative impact on the amount we recover as capacity charges. Under the tariff regulations in place from April 1, 2004 to March 31, 2009, the capacity charge was equal to the AFC minus the primary energy charge, which was equal to the product of saleable primary energy (in MU) multiplied by the prime energy rate ("**Self Adjusting Formula**"). To recover the full capacity charge, a power generating station was required to achieve normative capacity index; however, in cases where the capacity index achieved was less than the normative level, the power generating station recovered the capacity charge on a pro rata basis. Under the tariff regulations in place from April 1, 2009 to March 31, 2014, capacity charges for a hydro generating station will constitute 50% of the AFC and will be calculated using a formula that takes into account the prescribed project specific normative annual plant availability factor ("**NAPAF**") and the actual plant availability factor achieved.

Under the current tariff system, actual operation of the plant is necessary to recover a capacity charge, whereas under the previous tariff, availability of capacity was used to determine the capacity charge. This meant that, under the previous system, the capacity charge recovered by a power generating station was tied to the amount of capacity available rather than based on the actual operation of the plant. As such, even if there was insufficient water to enable a power station to operate at maximum capacity, the power station could still recover a capacity charge commensurate with the amount of energy that it would have been able to generate through operation had there been a sufficient water supply. With NAPAF being used to determine the capacity charge under the current system, availability of capacity will no longer have the same impact on capacity charge. Instead, actual production will affect the capacity charge. Therefore, if generation were to be at a level below the prescribed NAPAF due to insufficient water supply or other factors, the capacity charge would also be adversely affected even though the power generating station might have available capacity. The effect of a lower capacity charge would impact the AFC recovered under the current tariff system. Whereas the Self Adjusting Formula under the previous system ensured that the AFC was less dependent on the capacity charge, the current tariff system will cause the amount of AFC to be recovered to be more susceptible to decreases in the capacity charges now that the capacity charge constitutes 50% of the AFC. If the capacity charges were to decrease for any reason, including because of insufficient water supply, our ability to recover payments due to us for our hydropower may be limited, which could have an adverse effect on our results of operations and cash flow from operations.

22. Any future changes to CERC's tariff regulations may adversely affect our cash flow and results of operations.

The tariff norms and regulations have been evolving and may be subject to further change. They are subject to revision by the CERC and may be revised by it during the term of the respective PPAs. Any adverse changes in tariff norms or their interpretation by the CERC, judgments of the Appellate Tribunal for Electricity or the Supreme Court, or notifications by respective state governments relating to issues that affect hydropower generation, may limit our ability to recover payments due to us or the prices that we can charge for our hydropower and may have an adverse effect on our results of operations and cash flow from operations. For further information, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 281. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" as well as "***Regulations and Policies in India***" on pages 282 and 119, respectively.

23. The unbundling of the SEBs, pursuant to the Electricity Act, 2003, may have an adverse impact on our revenues.

Under the Electricity Act, 2003, SEBs are required to unbundle their operations into separate generation, transmission and distribution companies. Such restructuring entails the transfer of all liabilities and obligations of the SEBs to the respective state governments, which then transfer them to separate entities. Under the restructuring, the transfer of payment obligations in relation to power sold by us is intended to be effected by a supplementary PPA with the unbundled entities.

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

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

24. ***Our long-term agreements entered into with state electricity entities expose us to certain risks as we do not have the flexibility to modify such contracts to reflect changes in our business circumstances or to enter into agreements with other parties at higher prices, should the market price for energy rise.***

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

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

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

25. ***The Electricity Act, 2003, and the Hydro Power Policy 2008 have introduced measures that may result in increased competition for us.***

The statutory and regulatory framework for the Indian power sector generally, and the hydropower sector specifically, has changed significantly in recent years and there are likely to be more changes in the next few years. Changes in tariff policy based on the CERC Approach Paper and unbundling of the SEBs and consequent restructuring of companies in the power sector, as discussed in the risk factors above, open access and parallel distribution, and liberalised licensing requirements for, and tax incentives applicable to, companies in the hydropower sector, may provide opportunities for increased private sector involvement in power generation. For instance, the Electricity Act, 2003, removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation plants. Specifically, the open access reforms, which will enable generators to sell their output directly to distribution companies, and ultimately, directly to consumers, may increase the financial viability of private investment in power generation. A key objective of the Hydro Power Policy 2008, is to encourage and increase private investment in the development of hydropower through providing financial benefits such as an income tax holiday for 10 years and duty-free import of capital goods to developers of mega hydropower projects. The Hydro Power Policy 2008 also seeks to encourage joint ventures with private developers and the use of an independent power producer ("**IPP**") model and promote power trading and speeding up clearance procedures.

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

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

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

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

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

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

27. We are dependent on various contractors or specialist agencies to construct and develop our

projects or to supply materials or equipment required in connection with our projects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hydroelectric projects are generally developed in three stages which include survey and investigation of project site and preparation of pre-feasibility report (Stage I), detailed investigation, preparation of a DPR and pre-construction activity including land acquisition (Stage II) and execution of the project after investment decision through Public Investment Board ("**PIB**")/Cabinet Committee on Economic Affairs ("**CCEA**") (Stage III). Approvals are required at various stages of this development process, including clearances from the MoP, the Planning Commission, the MoEF, CEA and the CCEA. Further, depending upon the cost estimate of a particular project, various authorities including the PIB/CCEA have to be consulted on an ongoing basis in order to sanction any expenditure, cost estimate or revision in cost estimates. Moreover, since we receive approvals are various stages, in the event there is a substantial time gap between receipt of an approval at the current stage and next stage, we may need to approach the previous authority to renew our approvals. For instance, in case there a time gap (as set forth in the techno economic appraisal ("**TEA**"), typically three years) between grant of TEA and CCEA approval or in the event there is more than a three year time gap from date of receipt of TEA and date of actual start of work, as the case maybe, a fresh TEA is required to be obtained by us. For instance, the TEC for Kotli Bhel Stage IA and Pakal Dul and other hydroelectric projects at the Chenab river basin expires on October 3, 2009 and the TEC for the Loktak hydroelectric project expires on November 15, 2009. In addition, on account of the location of our various projects, either at national parks, wildlife sanctuaries or in the event they lie between international boundaries, we also require clearances from the various courts and tribunals including the Supreme Court, statutory authorities such as State Pollution Control Board's and Ministry of Water Resources for their execution. Such projects include the Pakal Dul and other hydroelectric project at the Chenab river basin, Chungar Chal, Garba Tawaghat and Karmoli Lumti Tulli hydroelectric projects and we cannot assure you that we shall be able to receive such approvals in a timely manner or at all. In particular, survey and investigation works for the preparation of the DPR for the Chungar Chal, Garba Tawaghat and Karmoli Lumti Tulli hydroelectric projects are currently on hold on account of the same. Further, we may be required to obtain other clearances within the ordinary course of our business.

Furthermore, in the event we do not receive final CCEA approval for the following hydroelectric projects, we will be unable to develop/complete these projects and expand our business:

Projects	State	Proposed Installed Capacity (MW)
Kotli Bhel Stage IA[(1)]	Uttarakhand	195
Kotli Bhel Stage IB[(1)]	Uttarakhand	320
Kotli Bhel Stage II[(1)]	Uttarakhand	530
Dibang[(2)]	Arunachal Pradesh	3,000
Teesta IV	Sikkim	520
Total		**4,565**
Joint Venture Projects		
Loktak Downstream	Manipur	66
Pakal Dul and other hydroelectric projects in the Chenab River Basin[(3)]	Jammu & Kashmir	2,100
Grand Total		**6,731**

(1) *Our Company is required to obtain forest clearance from MoEF.*

(2) *Our Company is required to obtain forest clearance from MoEF and the State Pollution Control Board after proper public hearing.*

(3) *These projects require approval from the Supreme Court as they are located in the Kishtwar High Altitude National Park.*

If we fail to obtain any such approvals, within a timely manner or at all, we may not be able to develop certain of our projects and the costs associated with the feasibility studies and preliminary stages of development of the project may not be recovered, which may affect our financial condition. For further information, see "***Our Business- Projects Awaiting Clearances***" and "***Government and Other Approvals***" on pages 99 and 356, respectively.

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

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

As environmental clearance has not yet been obtained in respect of our Subansiri Upper (2,000 MW) and Middle (1,600 MW) projects, the survey and investigation work for the preparation of DPRs for these two projects is presently suspended. Our Company was required to make a presentation on the cumulative environment impact of its projects in the Subansiri basin before the Standing Committee of the NBWL, which was made on May 22, 2008. Our Company in its letter to the Department of Power, Government of Arunachal Pradesh has confirmed that the Subansiri Lower, Middle and Upper Projects are independent and are not interlinked or interconnected with one another. Further, the Department of Power, Government of Arunachal Pradesh has also confirmed, by way of its letter dated July 31, 2008 to the MoEF, that the Subansiri Lower, Middle and Upper projects are independent of each other and that it has committed itself to the conversion of 168 square kilometres of Kamal reserve forest into a wildlife sanctuary and national park. The state government of Arunachal Pradesh has further urged the NBWL to consider waiving or modifying the aforesaid two conditions, which are under review, as per the directions of the Supreme Court.

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

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2009, our total borrowings aggregated Rs. 14,930.97 crore. Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow produced by our business. If we fail to meet our debt service obligations, our lenders may declare us in default under the terms of our borrowings and accelerate the maturity of our obligations. We cannot assure you that, in the event of any such acceleration, we would have sufficient resources to repay these borrowings and maintain the operations of our facilities without disruption. Accordingly, any such acceleration may have an adverse effect on our cash flows, business and results of operations.

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

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

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

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

Our Subsidiary, NHDC, formed pursuant to an MoU with the government of Madhya Pradesh, is involved in the operation of the Indira Sagar and Omkareshwar power stations, which were completed in Fiscals 2005 and 2008, respectively. In addition, we recently signed an MoU for the formation of a joint venture with the government of Manipur in respect of the development of the 66 MW Loktak Downstream project. Further, we have also entered into an MoU with the government of Jammu & Kashmir, Jammu & Kashmir State Power Development Corporation Limited ("**JKSPDC**") and PTC India Limited ("**PTC**") for a formation of a joint venture to harness the hydroelectric potential of Pakal Dul and other hydroelectric projects with an aggregate installed capacity of 2,100 MW in the Chenab river basin.

Our joint venture partners may:

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

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

41. We have no history of constructing or operating thermal power projects, so it is difficult to estimate the future performance of our new business ventures.

Our Subsidiary, NHDC, has received a mandate from the Madhya Pradesh government to build a 1,000 MW thermal power plant at Khandwa in Madhya Pradesh pursuant to which NHDC has signed a MoU with the Government of Madhya Pradesh on June 29, 2009 for setting up a thermal power plant. The generation capacity of the thermal power plant is estimated at 1,320 MW. We currently have no thermal power projects in operation, and we have no history of operating thermal power projects.

NHDC is currently in the process of identifying and acquiring land for developing a thermal power project. The scheduled completion targets for our thermal power project are estimates and are subject to delays as a result of, among other things, land identification and acquisition, inability in obtaining necessary funds on acceptable terms, contractor performance shortfalls, unforeseen engineering problems, disputes with workers, *force majeure* events, unanticipated cost increases and the possibility that we will not obtain fuel supplies or the necessary approvals, any of which could give rise to cost overruns or termination of the project.

The success of any thermal power operations undertaken by us would depend on, among other things, our continued ability to source fuel at competitive prices, transport disruptions and other events that could impair the ability of our suppliers to deliver fuel and raw materials, water shortages, transmission costs involved in transmitting power to the purchaser, compliance with applicable environmental laws, and any opposition from special interest groups or local communities where power plants are located.

Once these projects commence operations, a substantial portion of our earnings and cash flows will be attributable to our Subsidiary, NHDC. We cannot assure you that NHDC will continue to be profitable and generate sufficient earnings and cash flows to distribute sufficient funds to enable us to meet our obligations and pay dividends. NHDC's future prospects must be considered in light of the risks and uncertainties inherent in its new business ventures.

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

Our Company had 11,870 employees as of July 20, 2009. There have been no strikes in our Company resulting in any loss of generation or disruption of work during the last five years. However, there can be no assurance that we will not in the future experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses.

Wage negotiations with our unions are ongoing and a new wage agreement is anticipated to be entered into with respect to unionised employees later this Fiscal. However, there can be no assurance that we will be able to negotiate acceptable collective bargaining agreements with our labour unions. Our failure to do so may lead to union-initiated work stoppages, which may adversely affect our business and results of operations.

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

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

As of March 31, 2009, our Company had Rs. 3,187.65 crore foreign currency borrowings outstanding. We may continue to borrow foreign currency in the future, which will further expose us to fluctuations in foreign currency rates. Volatility in foreign exchange rates may adversely affect our business and financial performance. For further information, see "***Management's Discussion and Analysis of Financial Condition and Result of Operation – Cash Flows***" on page 305.

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

None of our projects, including the projects for which funds are being raised through this Issue, have been independently appraised by any bank or financial institution. Whilst the CCEA gives its clearance before the start of a project, our Company has to obtain requisite environmental and governmental approvals before executing any project. Additionally, our fund requirements and deployment of the funds are based on internal management estimates and have not been appraised by any bank or financial institution. In case of any variations in the actual utilisation of funds earmarked for particular activities, an increase in funds deployed for a particular activity may be met with surplus funds, if any, available in respect of the other activities.

Our Company has appointed IDBI Limited as the monitoring agency in relation to the Issue. Our Audit Committee and IDBI Limited will monitor the utilisation of the Net Proceeds of the Fresh Issue.

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

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

The interests of the GoI may be different from our interests or the interests of our other shareholders. In particular, given the importance of the power industry to the economy, the GoI may require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits or dividend distributions made to our shareholders. For further information, see "***Main Provisions of the Articles of Association of our Company***" on page 434.

46. ***Additional issuances of equity may dilute your holdings. In addition, any future sale of Equity Shares by our principal shareholder, the GoI, may adversely affect the market price of our Equity Shares.***

Any future issuance of our Equity Shares may dilute the positions of investors in our Equity Shares, which may adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by our principal shareholder may adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur may also adversely affect the market price of our Equity Shares.

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

Our future performance depends on the continued service of our management team and skilled personnel. We also face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. Although we have a retention policy in place, there is significant competition for managers and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. The loss of key personnel may have an adverse effect on our business, results of operations, financial condition and ability to grow.

48. ***There is an audit qualification in the report issued by the auditors for our Company and our Subsidiary. These qualifications either do not have any financial impact on the***

profitability of our Company or cannot be quantified and hence the effect of the qualification on the financial statements of our Company or our Subsidiary is unascertainable.

The statutory auditors for our Company, GSA & Associates, Chartered Accountants, have qualified their report dated June 22, 2009, in respect of the financial years ended March 31 2008, March 31 2007 and March 31 2006 stating that our Company has not complied with clause 33 of its Articles of Association, which requires that at least 50% of our Company's Directors be independent Directors. Since the qualification does not have any financial impact on the profitability of our Company, no adjustment was carried out in the restatement.

The statutory auditors for our Subsidiary, NHDC, O.P. Totla & Co, Chartered Accountants, have qualified their report dated May 23, 2006, in respect of the financial year ended March 31, 2006 to state that the effect of the change in the accounting policy for treatment of machinery spares as insurance spares has not been taken as the cost of such spares is not known and therefore the impact on profit is not ascertainable. Since the effect of this qualification has not been quantified, it is not possible to adjust the difference if any, in NHDC's Restated Financial Statements or in our Company's Restated Consolidated Financial Statements.

49. Some of the countries in which we conduct our business, such as Myanmar, are subject to certain international sanctions.

Economic sanctions and restrictions on exports and other transfers of goods have been implemented by the United States or the European Union, or both, in relation to certain countries in which we do business, including Myanmar. None of the Issue Proceeds will be used to fund activities that are subject to US or EU economic sanctions or export controls. Our current operations in these jurisdictions are not material to our revenue, profit or financial condition. We seek to comply fully with international sanctions to the extent they are applicable to us. However, in doing so our ability to do business in these jurisdictions may be limited. Future changes in international sanctions may prevent us from doing business in certain jurisdictions entirely.

External Risk Factors

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

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

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy, which may be adversely affected by a general rise in interest rates, natural calamities, such as earthquakes, a tsunami, floods and drought, commodity and energy prices, and protectionist efforts in other countries or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy, or future volatility in global commodity prices, may adversely affect our business.

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

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The current Central government, which came to power in May 2009, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous governments, the rate of economic liberalisation may change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities may change as well. Any major change in government policies might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalisation policies have been a major force in encouraging private funding of power sector development, any change in these policies may have a significant impact on power sector development and business and economic conditions in India generally, which may adversely affect our business, our future financial performance and the price of our Equity Shares.

3. Terrorist attacks, breakdowns in internal law and order, civil unrest and other acts of violence or war involving India and other countries may adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares will trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. For instance, India recently witnessed a major terrorist attack in Mumbai on November 26, 2008, which led to an escalation of political tensions. Political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have an adverse effect on our business, future financial performance and 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 may have a negative impact on us. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and may have an adverse impact on our business and the price of our Equity Shares.

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

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

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

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; performance of our competitors; the perception in the market with respect to investments in the power generation sector; adverse media reports about us or the Indian power generation; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's Fiscal regulations. There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

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

Under the SEBI Guidelines, we are permitted to Allot the Equity Shares within 15 days of the closure of the Issue. Consequently, the Equity Shares you purchase in this Issue may not be credited to your demat account with Depository Participants within 15 days of the closure of the Issue. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges. The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with depository participants in India are expected to be credited within two working days of the date on which the Designated Stock Exchange approves the basis of allotment. Thereafter, upon receipt of final approval of the stock exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the Designated Stock Exchange approves the basis of allotment. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

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

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

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

8. There may be 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 the stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers may be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do 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 may limit the upward and downward movements in the price of the Equity Shares. As a result of this no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

Notes to Risk Factors:

- Issue of 1,67,73,74,015 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share of our Company aggregating Rs. [●] crore. The Issue comprises a Fresh Issue of 1,11,82,49,343 Equity Shares by our Company and an Offer for Sale of 55,91,24,672 Equity Shares by the President of India acting through the Ministry of Power, Government of India. The Issue comprises a Net Issue to the public of 1,63,54,39,665 Equity Shares and a reservation of 4,19,34,350 Equity Shares for subscription by Eligible Employees at the Issue Price. The Issue shall constitute approximately 13.64% of the post-Issue capital of our Company.

- In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, 4,19,34,350 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

- Under-subscription in the Issue in any category, except in the QIB Portion, will be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs.

- The net worth of our Company as of March 31, 2009 as per our Restated Consolidated Financial Statements included in this Red Herring Prospectus was Rs. 18,392.52 crore.

- Our Promoter, the President of India (including shares held through its nominees), acting through the MoP, currently holds 100% of our paid-up share capital. The average cost of acquisition per Equity Share by the Promoter is Rs. 10. With effect from March 13, 2007, the equity shares of face value of Rs. 1,000 each have been split into Equity Shares of face value of Rs. 10 each.

- The net asset value per Equity Share of Rs. 10 each was Rs. 16.45 as of March 31, 2009 as per our Restated Consolidated Financial Statements included in this Red Herring Prospectus.

- None of our Directors or key managerial personnel have any interest, other than reimbursement of expenses incurred or normal remuneration or benefits and to the extent of Equity Shares held by them in the nominee capacity. For further information, see ***"Our Management"*** on page 148.

- We were involved in related party transactions aggregating Rs. 2.12 crore as of March 31, 2009, as per our Restated Consolidated Financial Statements. Investors are advised to refer to our financial statements relating to related party transactions in "***Financial Statements - Statement of Related Party Transactions***" on page 241.

- Neither the President of India, acting through the MoP, who is our Promoter, nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

- Pursuant to a shareholders resolution dated March 13, 2008, the name of our Company was changed from 'National Hydroelectric Power Corporation Limited' to its present name 'NHPC Limited' and a fresh certificate of incorporation consequent upon change of name was issued by the RoC, National Capital Territory of Delhi and Haryana, on March 28, 2008. There was no change in our Company's activities and consequently, there was no change in the objects clause of our Company's Memorandum of Association.

- Investors are advised to see "***Basis for Issue Price***" on page 67.

- Trading in Equity Shares for all investors shall be in dematerialised form only.

- Investors may contact the BRLMs, the Registrar or our Compliance Officer for any complaints or requests for information or clarifications pertaining to the Issue.

SECTION III - INTRODUCTION
SUMMARY

*Investors should note that this is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information in "**Risk Factors**" and our "**Financial Statements**" and related notes on pages xiii and 174, respectively, before deciding to invest in our Equity Shares.*

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

We have developed and constructed 13 hydroelectric power stations and our current total installed capacity is 5,175 MW. Our current total generating capacity is 5,134.2 MW, which takes into account a downgrade of the capacity ratings of the Loktak and Tanakpur power stations by the CEA. This total installed capacity and total generating capacity includes two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company and our Subsidiary generated 16,582.72 MUs and 2,368.45 MUs of electricity, respectively, in Fiscal 2009. In Fiscal 2009, our Company and our Subsidiary sold 14,587.88 MUs and 2,345.01 MUs of electricity, respectively.

We are presently engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with state governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, we incorporated our Subsidiary on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada river basin. In addition, in September 2007 we signed an MoU with the government of Manipur to establish a joint venture to develop the Loktak Downstream hydroelectric project, and in June 2007 we entered into an memorandum of agreement ("**MoA**") with the government of Arunachal Pradesh to establish the Dibang project on an own-and-operate basis. Further, on October 10, 2008 we signed an MoU with the JKSPDC, the government of Jammu & Kashmir and PTC to implement of the Pakal Dul and other hydroelectric projects in the Chenab river basin with an anticipated aggregate installed capacity of approximately 2,100 MW. For further information, see "***History and Certain Corporate Matters***" on page 129.

We have experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis. We also provide contract-based technical, management advisory and consultancy services to domestic and international clients.

Based on our restated consolidated financial statements, in Fiscals 2007, 2008 and 2009, we generated total income of Rs. 2,579.95 crore, Rs. 3,321.63 crore and Rs. 4,051.52 crore, respectively, and net profit of Rs. 1,049.10 crore, Rs. 1,207.04 crore and Rs. 1,244.15 crore, respectively. In Fiscal 2009, our average selling price of electricity was Rs. 2.03 per unit. In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for our Company for Fiscals 2007, 2008 and 2009 were 94.11%, 96.13% and 93.61% respectively. These indices are higher than the cumulative capacity index levels which is required under CERC regulations, and our higher efficiency parameters which pursuant to the tariff policy in place for Fiscal 2005- Fiscal 2009 entitled us to certain incentive payments.

We have obtained BS OHSAS 18001:2007, ISO 9001:2000, ISO 14001:2004 and PAS 99: 2006 certifications from the BSI Management Systems, all of which are valid until July 25, 2011. In recognition of our performance and our consistent achievement of targets as negotiated under the MoUs that we enter into with the GoI on an annual basis, the GoI has rated our performance as "Excellent" from Fiscal 1995 through to Fiscal 2006, "Very Good" in Fiscal 2007 and "Excellent" in Fiscal 2008. Also, in recognition of our performance, we were designated as a Mini-Ratna Category-I public sector undertaking in April 2008. As a Mini-Ratna Category-I entity, we will have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI.

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

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Established track record in implementing hydroelectric projects

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

Long term power purchase agreements with our customers

As of March 31, 2009, most of the output from our installed capacity was contracted for through long term PPAs. At the time we make investment decisions on new capacity or expansion of existing capacity, we typically have commitments for the purchase of the output.

In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements. These billings to state entities are currently secured through letters of credit generally entered into pursuant to tripartite agreements among the GoI, the RBI and respective state governments. In addition, we can secure payment by regulating the power supply to the defaulting entity or recovering payments directly from GoI Central Plan assistance funds that are given to the concerned state governments.

Strong operating performance

We measure our efficiency by reference to our average capacity index and generation targets achieved. In Fiscal 2009, our Company generated a total of 16,582.72 MUs of electricity and our Company's cumulative capacity index was 93.61%, which is higher than the cumulative capacity index levels required under CERC regulations and our higher efficiency parameters, which pursuant to the tariff policy in place for Fiscal 2005-Fiscal 2009, entitled us to certain incentive payments. We monitor, renovate and modernise our power stations, which increases the efficiency of our plants and equipment. We believe that our ongoing monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Competent and committed workforce

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

Strong in-house design and engineering team

We have an in-house team for project design and our engineering capabilities range from the concept stage to the commissioning of our projects. This team is supported by international and domestic project consultants. As of July 20, 2009, our Company had approximately 1,185 in-house engineers with expertise in a range of engineering disciplines, particularly hydrology, electrical, civil and structural design, hydro-mechanical and geotechnical design. Our engineers have specialised tunnel design experience and are able to design for variable and unpredictable geological conditions. Our engineers also have experience with a variety of specialised analysis, design and computer aided design software applications.

Our Strategy

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

Expand our installed capacity through Joint Ventures and MoUs

We seek to expand our installed capacity by tapping into new geographic markets where there is significant demand for capacity expansion through hydroelectric generation. Presently we are engaged in the construction of 11 hydroelectric projects in the states of Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Assam and West Bengal, which is expected to increase our total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with state governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, we incorporated our Subsidiary on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada river basin. In addition, in September 2007 we signed an MoU with the government of Manipur to establish a joint venture to develop the Loktak Downstream hydroelectric project, and in June 2007 we entered into an MoA with the government of Arunachal Pradesh to implement the Dibang project. Further, on October 10, 2008 we signed an MoU with JKSPDC, the government of Jammu & Kashmir and PTC to implement the Pakal Dul and other hydroelectric projects with an anticipated aggregate installed capacity of approximately 2,100 MW in the Chenab river basin.

In addition, we seek to expand our installed capacity and diversify our generation mix by undertaking non-hydropower projects. NHDC has recently received a mandate from the Madhya Pradesh government to build a 1,000 MW thermal power plant at Khandwa in Madhya Pradesh pursuant to which NHDC has signed a MoU with the Government of Madhya Pradesh on June 29, 2009 for setting up a thermal power plant. The generation capacity of the thermal power plant is estimated at 1,320 MW.

Promote and develop our consulting and advisory services

We aim to continue to deliver advisory services to clients and government entities in India and abroad. Our consultancy services are registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission. Historically, we have undertaken international projects and consultancy assignments on an agency basis, often on the request of the GoI. However, going forward, we intend to promote our consultancy services and take advantage of opportunities emerging from changes in the industry due to the enactment of the Electricity Act, 2003, the Hydro Power Policy 2008, and other regulatory developments.

Continue to expand our international activities

We executed the Kurichhu hydropower project in Bhutan and the Devighat hydropower project in Nepal on a contract agency basis. In addition, we prepared and submitted a DPR to the Department of Energy, Royal Government of Bhutan, for a 720 MW hydropower project in Mangdecchu in Bhutan. We are also in the process of preparing a DPR for the Chamkarchhu-I hydropower project (670 MW) and Kuri Gongri hydropower project (1,800 MW) in Bhutan. Further, we signed an MoU on September 16, 2008, with the Department of Hydro Power Implementation of the Ministry of Electric Power, Union of Myanmar relating to a study of a master plan for hydropower development of the Chindwin river basin and the review of the DPRs for the Tamanthi hydroelectric project (1,200 MW) and the Shwzaye hydroelectric project (642 MW). Project review reports for these two projects were submitted to the government of Myanmar in December 2008. We intend to continue to expand our international operations and further exploit the potential hydropower opportunities available internationally by leveraging our existing relationships developed through our past international consultancy assignments.

Maintain our focus in environmental and corporate social responsibility

We have undertaken a number of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in a manner that promotes social responsibility, sustainable development and respect towards the environment. We also believe that we support initiatives to advance the economic, cultural and social interests of the communities of the areas in which we operate and contribute to their further development. We are a member of the Global Compact Society, formed and registered in 2003 by certain Indian companies and organisations that had participated in the United Nations Global Compact Program. The Global Compact Society is an agency committed to corporate social responsibility and to the United Nation's Global Compact principles. We have also been awarded the Greentech Award for Environmental Excellence in 2008 by the Greentech Foundation, India in respect of the Tanakpur power station and a corporate environmental award from The Energy and Resources Institute (TERI) in 2009. For further information, see ***"History and Certain Corporate Matters"*** on page 129.

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

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

SUMMARY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION – UNCONSOLIDATED

The following tables set forth our selected historical financial information derived from the Restated Unconsolidated Financial Statements for the years ended March 31, 2009, 2008, 2007, 2006 and 2005. The restated unconsolidated summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 174 and 281 respectively.

UNCONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in Crore)

	For the year ended at				
Particulars	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
INCOME					
Sales ($ Net)	2688.86	2227.32	1705.77	1554.50	1456.39
Revenue from Contract, Project Management & Consultancy Works	48.97	39.19	23.35	23.03	22.59
Interest on Power Bonds & Long Term Advances	185.27	209.22	234.09	239.53	239.53
Other Income	317.88	142.98	66.36	45.93	41.47
TOTAL INCOME	**3240.98**	**2618.71**	**2029.57**	**1862.99**	**1759.98**
EXPENDITURE					
Generation, Administration and other Expenses	326.47	204.97	147.35	172.76	120.51
Employees' Remuneration and Benefits	492.51	324.87	244.90	206.43	234.85
Depreciation	517.49	444.41	291.13	271.75	249.88
Interest and Finance charges	505.18	453.41	231.76	292.57	328.15
Provisions	125.90	21.15	30.37	22.13	41.65
Expenditure on Contract, Project Management & Consultancy Works	61.16	34.09	25.26	25.26	18.62
Incentive to Beneficiary States	0.00	0.00	0.00	75.49	81.25
TOTAL EXPENDITURE	**2028.71**	**1482.90**	**970.77**	**1066.39**	**1074.91**
Profit Before Tax and Extraordinary Items	1212.27	1135.81	1058.80	796.60	685.07
Provision for Taxation					
Current Tax	115.74	121.50	135.53	63.71	73.41
Adjustments relating to earlier years					
Deferred Tax	395.91	248.13	167.55	187.90	34.32
Deferred tax recoverable adjustment	(395.91)	(248.13)	(167.55)	(187.90)	(34.32)
Net Taxation	115.74	121.50	135.53	63.71	73.41
Profit Before Extraordinary Items	**1096.53**	**1014.31**	**923.27**	**732.89**	**611.66**
Extraordinary Income (Net of Tax)	33.27	46.11			
Profit after Extraordinary Items	**1129.80**	**1060.42**	**923.27**	**732.89**	**611.66**
Balance brought forward	**1140.68**	**528.04**	**2700.58**	**2302.82**	**1808.52**
Balance available for appropriation	**2270.48**	**1588.46**	**3623.85**	**3035.71**	**2420.18**
Appropriations					
Interim Dividend	125.00	100.00	72.00	64.00	60.00
Proposed Final Dividend	200.00	200.00	206.00	159.00	80.00
Corporate Dividend Tax (Net of set off)	46.66	50.99	45.11	31.28	19.21
Transfer to General Reserve	0.00	0.00	2800.00	0.00	0.00

Transfer/(Write back) to/from bonds redemption reserve	(14.25)	23.75	(83.75)	27.75	(90.65)
Transfer/(Write back) to/from Self Insurance reserve	98.68	73.04	56.45	53.10	48.80
BALANCE CARRIED TO BALANCE SHEET	1814.39	1140.68	528.04	2700.58	2302.82

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

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

UNCONSOLIDATED STATEMENT OF ASSETS & LIABLITIES, AS RESTATED

(Rs. in Crore)

Particulars	For the year ended at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Fixed Assets (A)					
a) Gross Block	21428.27	20622.83	12953.28	12764.49	10847.24
Less: Depreciation	3815.00	3264.84	2851.66	2529.82	2243.62
b) Net Block	17613.27	17357.99	10101.62	10234.67	8603.62
Capital Work In Progress	9325.83	6172.19	11266.28	8774.34	8717.75
Construction Stores and Advances	1096.85	1076.96	856.43	778.95	770.14
Sub total (A)	28035.95	24607.14	22224.33	19787.96	18091.51
INVESTMENTS (B)	2793.60	3049.22	3322.75	3579.19	3549.19
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	81.01	91.91	103.54	113.85	164.43
Inventories	37.16	37.12	44.95	51.27	52.05
Contract Work-in-Progress	19.55	51.16	42.20	36.35	23.07
Sundry Debtors	294.66	331.05	290.62	228.62	557.36
Cash and Bank Balances	1899.95	1841.27	466.90	542.20	311.68
Other Current Assets	393.74	214.03	160.18	129.24	170.26
Loans and Advances	1264.87	775.98	445.31	405.20	388.80
Sub total (C)	3990.94	3342.52	1553.70	1506.73	1667.65
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	8212.38	7003.49	4622.79	3973.50	4004.26
Unsecured loans	4021.65	2952.84	2909.16	3193.19	3017.54
Deferred Tax Liability (Net)	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1329.47	1303.26	1245.98	1049.49	999.99
Current Liabilities & Provisions	3385.18	2623.64	1917.54	1497.19	1222.96
Sub total (D)	16948.68	13883.23	10695.47	9713.37	9244.75
NET ASSETS (A+B+C-D)	17871.81	17115.65	16405.31	15160.51	14063.60
Represented by:					
Share Capital (E)	11182.49	11182.49	11198.21	10215.28	9425.62
Share Capital Deposit (F)	0.00	0.00	0.00	20.38	158.89
GOI Fund Adjustable to equity (G)	0.00	0.00	8.83	325.50	333.83
Reserve and Surplus (H)	6691.65	5933.50	5224.06	4623.90	4145.26
Miscellaneous Expenditure (To the extent not written off or adjusted) (I)	2.33	0.34	25.79	24.55	0.00
NET WORTH(E+F+G+H-I)	17871.81	17115.65	16405.31	15160.51	14063.60

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

SUMMARY FINANCIAL INFORMATION – CONSOLIDATED

The following tables set forth our selected historical financial information derived from the Restated Consolidated Financial Statements for the years ended March 31, 2009, 2008, 2007, 2006 and 2005. The restated consolidated summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 174 and page 281 respectively.

CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in Crore)

	For the Year Ended as at				
Particulars	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Income					
Sales ($ Net)	3,444.78	2,891.79	2,245.94	2,031.75	1,682.44
Revenue from Contracts, Project Management and Consultancy works	48.93	39.06	23.29	22.63	25.35
Interest on Power Bonds and Long term Advances	185.27	209.22	234.09	239.54	239.53
Other Income	372.54	181.56	76.63	58.95	42.13
TOTAL INCOME	**4,051.52**	**3,321.63**	**2,579.95**	**2,352.87**	**1,989.45**
Expenditure					
Generation, Administration and other Expenses	363.84	232.55	168.87	188.93	141.11
Employees' Remuneration and Benefits	538.96	348.03	258.85	216.10	234.32
Depreciation	656.29	560.74	368.66	344.14	294.86
Interest and Finance charges	776.01	637.66	361.52	412.79	396.82
Provisions	125.91	21.15	30.37	22.53	38.85
Expenditure on Contracts, Project Management and Consultancy works	61.16	34.09	25.26	25.26	21.59
Incentive to Beneficiary States	0.00	0.00	0.00	75.48	81.25
TOTAL EXPENDITURE	**2,522.17**	**1,834.22**	**1,213.53**	**1,285.23**	**1,208.80**
Profit before minority interest, Tax and Extraordinary Items	**1,529.35**	**1,487.41**	**1,366.42**	**1,067.64**	**780.65**
Provision for Taxation					
Current year tax and Fringe benefit tax	167.79	168.51	197.20	75.92	77.24
Deferred Tax	554.32	400.13	351.36	247.62	44.97
Deferred tax recoverable adjustment	(554.32)	(400.13)	(351.36)	(247.62)	(44.97)
Net Taxation	**167.79**	**168.51**	**197.20**	**75.92**	**77.24**
Profit before minority interest and Extraordinary Items	**1,361.56**	**1,318.90**	**1,169.22**	**991.72**	**703.41**
Extraordinary Income (Net of Tax)	**33.27**	**46.11**			
Profit before minority	**1,394.83**	**1,365.01**	**1,169.22**	**991.72**	**703.41**

interest					
Minority interest	150.68	157.97	120.12	127.06	45.72
Net Profit after minority interest	**1,244.15**	**1,207.04**	**1,049.10**	**864.66**	**657.69**
Balance brought forward	1,511.96	802.40	2,880.90	2,374.04	1,845.63
Excess provision withdrawn					
Balance available for appropriation	**2,756.11**	**2,009.44**	**3,930.00**	**3,238.70**	**2,503.32**
Appropriations					
Interim Dividend	125.00	100.00	72.00	64.00	60.00
Proposed Final Dividend	200.00	200.00	206.00	159.00	80.00
Corporate Dividend Tax (Net of set off)	54.46	67.79	56.69	34.25	20.10
Transfer to General Reserve			2,800.00		
Amount transferred/(written back) to/from bonds redemption reserve	(14.25)	23.75	(83.75)	27.75	(90.65)
Amount transferred/(written back) to/from Self Insurance Reserve	115.73	105.94	76.66	72.80	59.83
Balance Carried to Balance Sheet	**2,275.17**	**1,511.96**	**802.40**	**2,880.90**	**2374.04**

$ Tariff Adjustment and Advance Against Depreciation has been netted from Sales.
The accompanying accounting policies and notes on accounts are an integral part of these statements.

CONSOLIDATED STATEMENT OF ASSETS & LIABLITIES , AS RESTATED

(Rs. in Crore)

Particulars	As at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Fixed Assets (A)					
a) Gross Block	28115.11	27207.88	17037.02	16736.33	14175.60
Less: Depreciation	4408.93	3682.51	3122.70	2693.62	2312.09
b) **Net Block**	**23,706.18**	**23,525.37**	**13,914.32**	**14,042.71**	**11,863.51**
Capital Work In Progress	9331.67	6185.78	13270.02	10076.26	9732.37
Construction Stores and Advances	1096.98	1077.37	861.66	837.06	995.91
Sub total (A)	**34,134.83**	**30,788.52**	**28,046.00**	**24,956.03**	**22,591.79**
INVESTMENTS (B)	1791.19	2046.79	2320.33	2576.77	2576.77
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	80.99	91.89	103.52	113.83	164.41
Inventories	41.51	39.68	47.11	52.47	51.67
Contract Work-in-Progress	19.55	75.19	42.20	36.35	23.07
Sundry Debtors	763.64	886.46	892.64	575.35	649.83
Cash and Bank Balances	2606.08	2345.87	816.29	892.78	973.55
Other Current Assets	430.27	235.10	184.43	157.24	113.03
Loans and Advances	1285.32	789.70	463.49	422.77	409.41
Sub total (C)	**5,227.36**	**4,463.89**	**2,549.68**	**2,250.79**	**2,384.97**
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	10723.45	9902.65	7562.63	6138.24	5504.26
Unsecured loans	4207.52	2952.84	2909.16	3343.19	3641.79
Minority Interest	1466.71	1364.48	1239.90	1130.19	1006.46
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1424.52	1318.79	1245.98	1049.49	999.99
Current Liabilities & Provisions	3740.62	3052.75	2165.21	1709.91	1472.45
Sub total (D)	**21,562.82**	**18,591.51**	**15,122.88**	**13,371.02**	**12,624.95**
Capital Grant/Proportionate Contribution by Govt. of Madhya Pradesh towards Fixed Assets (E)	1198.04	1177.88	1109.26	1092.66	827.28
NET ASSETS (A+B+C-D-E)	**18,392.52**	**17,529.81**	**16,683.87**	**15,319.91**	**14,101.30**
Represented by:					
Share Capital (F)	11182.49	11182.49	11198.21	10215.28	9425.62
Share Capital Deposit (G)	0.00	0.00	0.00	20.38	158.89
GOI Fund adjustable to Equity (H)	0.00	0.00	8.83	325.50	333.83
Reserve and Surplus (I)	7212.36	6347.66	5502.63	4783.29	4182.95
Miscellaneous Expenditure (To the extent not written off or adjusted) (J)	2.33	0.34	25.80	24.54	-0.01
NET WORTH(F+G+H+I-J)	**18,392.52**	**17,529.81**	**16,683.87**	**15,319.91**	**14,101.30**

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

Sundry debtors as at March 31, 2006 increased from Rs. 575.35 crore to Rs. 892.64 crore as at March 31, 2007 mainly due to the retrospective bookings of sales in respect of the Indira Sagar power station. Further, gross block of fixed assets as at March 31, 2007 increased from Rs. 17,037.02 crore to Rs. 27,207.88 crore as at March 31, 2008 on account of the commissioning of the Dulhasti, Omkareshwar and Teesta V power stations during this period.

THE ISSUE

Issue:	1,67,73,74,015 Equity Shares
Which comprises:	
Fresh Issue:	1,11,82,49,343 Equity Shares
Offer for Sale:	55,91,24,672 Equity Shares
Of which:	
Employee Reservation Portion:	4,19,34,350 Equity Shares
Net Issue:	1,63,54,39,665 Equity Shares
Of which:	
Qualified Institutional Buyers Portion:	At least 98,12,63,799 Equity Shares (allocation on proportionate basis), of which 5% of the QIB Portion or 4,90,63,190 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion) and 93,22,00,609 Equity Shares shall be available for allocation to all QIBs, including Mutual Funds
Non-Institutional Portion:	Up to 16,35,43,966 Equity Shares (allocation on proportionate basis)
Retail Portion:	Up to 49,06,31,900 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue:	11,18,24,93,430 Equity Shares
Equity Shares outstanding post the Issue:	12,30,07,42,773 Equity Shares
Objects of the Issue:	For details of the Objects of the Fresh Issue, see "***Objects of the Issue***" on page 36. Our Company will not receive any proceeds from the Offer for Sale. Further, no part of the Net Proceeds of the Fresh Issue will be paid by our Company as consideration to our Promoter, Directors, and key managerial personnel, except as may be required in the usual course of business.

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

GENERAL INFORMATION

Registered and Corporate Office of our Company

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

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

For details in changes in our Registered Office, see "***History and Certain Corporate Matter***s" on page 129.

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 (years)	Address	Term
Mr. S.K. Garg Designation: Chairman And Managing Director DIN: 00055651	58	K-17/4, DLF City Phase II, Gurgaon 122 002, Haryana, India	Appointment w.e.f. January 23, 2007 until the date of superannuation or until further orders, whichever event occurs earlier.
Mr. A.B.L. Srivastava Designation: Director (Finance) DIN: 01601682	53	C - 301, Stellar Park, C - 58/24, Sector -62, Gautam Budha Nagar, Noida 201 306, Uttar Pradesh, India	Appointment for a period of five years w.e.f. February 11, 2008 or till date of his superannuation or until further orders, whichever is earlier.
Mr. D.P. Bhargava Designation: Director (Technical) DIN: 01277269	53	House No. 176, Sector 30, Faridabad, Haryana 121 003, India	Appointment for a period of five years w.e.f. March 26, 2009 or till the date of his superannuation or until further orders, whichever is earliest.
Mr. J.K. Sharma	50	House No. 915, Sector 28, Faridabad, Haryana	Appointment for a period of five years w.e.f. April 10, 2009 or till the date of his

Name, Designation and DIN	Age (years)	Address	Term
Designation: Director (Projects) DIN: 00387785		121 008, India	superannuation or until further orders, whichever is earliest.
Mr. R.S. Mina Designation: Director (Personnel) DIN: 00149956	52	6081/1, Sector D-6, Vasant Kunj, New Delhi 110 070, India	Appointment for a period of five years w.e.f. April 28, 2009 or till the date of his superannuation or until further orders, whichever is the earliest.
Mr. Jayant Kawale* Designation: Government Nominee Director DIN: 00076038	53	D – I/72, Chanakyapuri, New Delhi 110 021, India	Appointment w.e.f. September 6, 2007.
Ms. Komal Anand Designation: Independent Director DIN: 01909263	63	16, Nizamuddin East, IInd Floor, New Delhi 110 003, India	Appointment for a period of three years w.e.f. April 2, 2008 or until further orders, whichever occurs earlier.
Mr. Arun Kumar Mago Designation: Independent Director DIN: 01624833	64	E - 7, Nizamuddin West, New Delhi 110 013, India	Appointment for a period of three years w.e.f. April 3, 2008 or until further orders, whichever occurs earlier.
Mr. Raman Sidhu Designation: Independent Director DIN: 00121906	51	606-B, The Aralias, Golf Club Road, DLF Phase V, Gurgaon, Haryana, India	Appointment for a period of three years w.e.f. April 7, 2008 or until further orders, whichever occurs earlier.
Mr. R. Jeyaseelan Designation: Independent Director DIN: 02143850	62	5, Senior Doctor's Residence, Holy Family Hospital, Okhla Road, New Delhi 110 025, India	Appointment for a period of three years w.e.f. April 23, 2008 or until further orders, whichever occurs earlier.
Dr. Kuriakose Mamkoottam Designation: Independent Director DIN: 02231128	63	101, Sakshara Apartments, A3 Paschim Vihar, New Delhi 110 063, India	Appointment for a period of three years w.e.f. June 17, 2008 or until further orders, whichever occurs earlier.
Mr. K. Dharmarajan Designation: Independent Director DIN: 02322767	65	A-3, Sarvodaya Enclave, Sri Aurobindo Marg, New Delhi 110 017, India	Appointment for a period of three years w.e.f. September 3, 2008 or until further orders, whichever occurs earlier.

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

For further information, see "***Our Management***" on page 148.

Company Secretary and Compliance Officer

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

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

Book Running Lead Managers

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

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

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

Domestic Legal Advisor

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

International Legal Counsel

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

Syndicate Members

Kotak Securities Limited
1st Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021, India
Tel: +91 22 6740 9708
Fax: +91 22 6662 7330
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta
SEBI Registration Nos.: BSE: INB010808153, NSE: INB230808130

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

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 details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer to the above mentioned SEBI link.

Bankers to the Company

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

State Bank of India
CAG Branch
11 - 12th Floor, Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi 110 001, India
Tel: +91 11 2335 2810
Fax: +91 11 2335 3101
E-mail: manaw.prasad@sbi.co.in
Contact Person: Mr. Manaw Prasad

ICICI Bank Limited
9A, Connaught Place
New Delhi 110 001, India
Tel: +91 11 6531 0400
Fax: +91 11 6631 0410/20
E-mail: satish.mohan@icicibank.com
Contact Person: Mr. Satish Mohan

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

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

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

State Bank of Bikaner & Jaipur
26, Neelam Bata Road
Faridabad 121 001, Haryana, India
Tel: +91 129 242 2608
Fax: +91129 241 8662
E-mail: sbbj10310@sbbj.co.in
Contact Person: Mr. V.K. Rajora

Jammu & Kashmir Bank Limited
G- 40, Connaught Place
New Delhi 110 001, India
Tel: +91 11 2335 2105
Fax: +91 11 2335 2102/03
E-mail: circus@jkbmail.com
Contact Person: Mr. Khursheed A. Fazili

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

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

IDBI Bank Limited
Surya Kiran Building
Ground Floor, 19 K.G. Marg
New Delhi 110 001, India
Tel: 91 11 4130 6641
Fax: 91 11 4130 6650
E-mail: e_miranda@idbi.co.in
Contact Person: Ms. E. Maria Miranda

Registrar to the Issue

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

Bankers to the Issue

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
Tel: +91 22 2262 7600
Fax : +91 22 2261 1138
E-mail: venkataraghavan.t@icicibank.com
Website : www.icicibank.com
Contact Person: Mr. Venkataraghavan T A

IDBI Bank Limited
Unit no. 2
Corporate Park
Sion Trombay Road
Chembur, Mumbai 400 071
Tel: +91 22 6690 8402
Fax: +91 22 6690 8433
E-mail: mn.kamat@idbi.co.in
Website : www.idbibank.com
Contact Person: Mr. MN. Kamat

Punjab National Bank
Capital Market Services Branch
5, Sansad Marg, New Delhi 110 001
Tel: +91 11 2373 7531/2373 7533
Fax: +91 11 2373 9893/2373 7528
E-mail: bo4552@pnb.co.in
Website: www.pnbindia.com
Contact Person : Mr. B.B. Aggarwal/Mr. S. K. Sachdeva

Deutsche Bank AG
Kodak House, 222, Dr. D.N.Road,
Fort, Mumbai 400 001
Tel: +91 22 6658 4045
Fax: +91 22 6658 4374
E-mail: shyamal.malhotra@db.com
Website: www.db.com
Contact Person: Mr. Shyamal Malhotra

The Hongkong and Shanghai Banking Corporation Limited
JMD Regent Square, DLF Phase-II
Gurgaon Mehrauli Road
Gurgaon 122002, Haryana
Tel: +91 0124 4182209
Fax : +91 22 4035 7657

Yes Bank Limited
Yes Bank Limited, NOC, Mumbai, Tiecicon House,
Dr. E Moses Road, Mahalaxmi, Mumbai-400 011
Tel: +91 22 6622 9031
Fax: +91 22 2497 4876
E-mail: Mahesh.shirali@yesbank.in
Website: www.yesbank.in

E-mail : manupratapverma@hsbc.co.in
Website : www.hsbc.co.in
Contact Person: Mr. Manu Pratap

Contact Person : Mr. Mahesh Shirali

ABN Amro Bank N.V.
Brady House, 14 Veer Nariman Road,
Hornimon Circle, Mumbai 400 023
Tel: +91 22 6658 5817/6658 5821
Fax: +91 22 2287 3143
E-mail: chaitali.nandi@in.abnamro.com,
manish.b.bhatia@in.abnamro.com
Website: abnamro.co.in
Contact Person : Mrs. Chaitali Nandi/ Mr. Manish B. Bhatia

HDFC Bank Limited
BTI Ops Department, Manekji Wadia Building,
Nanik Motwani Marg, Fort, Mumbai 400 001
Tel: +91 22 6657 3746
Fax: +91 22 2270 0272
E-mail: Deepak.rane@hdfcbank.com
Website: www.hdfcbank.com
Contact Person : Mr. Deepak Rane

Axis Bank Limited
Plot No. 40, Sector 7 Market, Ballabgarh,
Faridabad 121 006, Haryana
Tel: +91 0129 2216 404, +91 9958410808
Fax: +91 0129 2211 916
Website : www.axisbank.com
E-mail:
ballabhgarh.operationshead@axisbank.com,
Ballabhgarh.branchhead@axisbank.com
Contact Person: Mr. Aman Sheoran

Kotak Mahindra Bank Limited
Kotak Mahindra Bank, Cash Management Services
Kotak Towers, 6th Floor, Zone 3,
Building No. 21, Infinity Park
Off Western Express Highway
Goregaon Mulund Link Road
Malad (E), Mumbai 400097
Tel: +91 22 6605 6631/6605 6586
Fax: +91 22 6605 6642
E-mail: mahendra.rao@kotak.com,
ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person: Mr. Mahendra Rao/Mr. Ibrahim Sharief

State Bank of India
Capital Market Branch
Ground Floor, Mumbai Main Branch Building,
Mumbai Samachar Marg,
Fort, Mumbai 400 023
Tel: +91 22 2269 1561/2266 2133
Fax: +91 22 2267 0745/ 2266 4959
E-mail: vidya.krishnan@sbi.com
rajeev.kumar@sbi.co.in
Contact Person: Mr. Rajeev Kumar/ Ms. Vidya Krishnan

Standard Chartered Bank
Standard Chartered Bank
270 D.N. Road
Fort, Mumbai 400 001
Tel: +91 22 2268 3955
Fax: +91 22 2209 2216
Website: www.standardchartered.co.in
E-mail: joseph.george@sc.com
Contact Person : Mr. Joseph George

Monitoring Agency

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

Auditors

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

For details of change in Auditors, see "***Other Regulatory and Statutory Disclosures – Changes in Auditors***" on page 383.

IPO Grading Agency

ICRA Limited

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

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

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

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam, Kotak and SBI CAPS	Enam
Due diligence of the Company's operations/management/business plans/legal, etc. Drafting and designing of the offer document and of statutory advertisements including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of the Prospectus and filing with the Registrar of Companies and Stock Exchanges.	Enam, Kotak and SBI CAPS	Enam
Drafting and approving of all publicity material other than statutory advertisements as mentioned above including corporate advertisement and brochure.	Enam, Kotak and SBI CAPS	SBI CAPS
Appointing other Intermediaries: (A) Printers; (B) Registrar;	Enam, Kotak and SBI CAPS	Printers: Enam Registrar: Kotak Advertising Agency: SBI

Activities	Responsibility	Co-ordinator
(C) Advertising Agency; and (D) Bankers to the Issue.		CAPS Bankers to the Issue: Kotak
International institutional marketing strategy, preparation of road show marketing presentation, FAQ and co-ordination for all roadshow logistics. ▪ Finalising the list and division of investors for one on one meetings, institutional allocation.	Enam, Kotak and SBI CAPS	SBI CAPS
Retail/Non-institutional marketing strategy which will cover, *inter alia*, ▪ Finalising media, marketing and public relation strategy, ▪ Finalising centres for holding conferences for brokers, etc., ▪ Finalising collection centres, ▪ Following up on distribution of publicity and Issue material including application forms, Prospectus and deciding on the quantum of the Issue material, ▪ Domestic institutions/banks/mutual funds marketing strategy, and ▪ Finalising the list and division of investors for one on one meetings, institutional allocation.	Enam, Kotak and SBI CAPS	SBI CAPS
Managing the book, coordinating with Stock Exchanges, pricing and allocation to the QIB Bidders	Enam, Kotak and SBI CAPS	SBI CAPS
Post bidding activities including managing of Escrow Accounts, co-ordinating non-institutional allocation, intimating allocation and dispatching of refunds to the Bidders.	Enam, Kotak and SBI CAPS	Kotak
The post issue activities of the Issue will involve essential follow up steps, which include finalising of trading and dealing instruments and dispatching of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling the refunds business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company	Enam, Kotak and SBI CAPS	Kotak

Credit Rating

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

IPO Grading

Pursuant to the SEBI Guidelines, this Issue has been graded by ICRA Limited and has been assigned a grade of 3/5 indicating average fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For details in relation to the rationale furnished by ICRA Limited, see "***Annexure I***" on page 445. Attention is drawn to the disclaimer appearing on page 447.

Trustees

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

Experts

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

Book Building Process

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

The principal parties involved in the Book Building Process are:

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

In terms of Rule 19(2) (b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60 % of the Net Issue will be allocated on a proportionate basis to QIBs, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. In addition, in accordance with Rule 19(2) (b) of the SCRR, a minimum of 0.2 crore securities are being offered to the public and the size of the Net Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, 4,19,34,350 Equity Shares from the Issue shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further information, see ''***Issue Procedure***'' on page 392.

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

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

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

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

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid (for further information, see "***Issue Procedure***" on page 392);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that you have mentioned your PAN in the Bid cum Application Form (see "***Issue Procedure***" on page 392); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

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

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

Bid/Issue Programme

Bid/Issue Period

BID/ISSUE OPENS ON	**August 7, 2009**
BID/ISSUE CLOSES ON	**August 12, 2009**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m**. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and 5.00 p.m. in case of Bids by Retail Individual Bidders and Eligible Employees where the Bid Amount is up to Rs. 1,00,000 (which may be extended from time to time by the Stock Exchanges at the request of the BRLMs). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date. Bidders should specifically note that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the BRLMs and the Syndicate Members shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bid/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band, i.e., the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

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

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crore)
Enam Securities Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 E-mail: nhpc.ipo@enam.com SEBI Registration No.: INM000006856	[●]	[●]
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 E-mail: nhpc.ipo@kotak.com SEBI Registration No.: INM000008704	[●]	[●]

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crore)
SBI Capital Markets Limited 202, Maker Tower E Cuffe Parade Mumbai 400 005, India Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: nhpc.ipo@sbicaps.com SEBI Registration No.: INM000003531	[●]	[●]
Kotak Securities Limited 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: +91 22 6740 9708 Fax: +91 22 6662 7330 E-mail: umesh.gupta@kotak.com SEBI Registration Nos.: BSE:INB010808153, NSE: INB230808130	[●]	[●]
SBICAP Securities Limited 191, Maker Tower F Cuffe Parade Mumbai 400 005, India Tel: + 91 22 3027 3309 Fax: + 91 22 3027 3402 E-mail: prasad.chitnis@sbicaps.com SEBI Registration Nos.: BSE: INB01105303, NSE: 1NB231052938	[●]	[●]
Total	[●]	**[●]**

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

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

CAPITAL STRUCTURE

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

(Rs. in crore except share data)

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

** With effect from March 13, 2007, the equity shares of the face value of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each. For details of increase in our authorised share capital see "**History and Certain Corporate Matters**" on page 129.*

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

Notes to the Capital Structure

1. Share Capital History of our Company:

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

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
August 13, 1976	3,283	1,000	1,000	Cash	Nil	3,283	32,83,000	0.33
December 29, 1976	1,950	1,000	1,000	Cash	Nil	5,233	19,50,000	0.52
April 28, 1977	2	1,000	1,000	Cash	Nil	5, 235	2,000	0.52
September 3,1977	40,000	1,000	1,000	Cash	Nil	45,235	4,00,00,000	4.52
February 28,1978	6,29,529	1,000	1,000	Other than cash	Nil	6,74,764	62,95,29,000	67.48
February 28,1978	60,700	1,000	1,000	Cash	Nil	7,35,464	6,07,00,000	73.55
September 18, 1978	73,298	1,000	1,000	Cash	Nil	8,08,762	7,32,98,000	80.88
February 2, 1979	25,000	1,000	1,000	Cash	Nil	8,33,762	2,50,00,000	83.38
August 6,1980	1	1,000	1,000	Cash (Rs. 400) Other than cash (Rs. 600)	Nil	8,33,763	1,000	83.38
March 31,1981	1,46,150	1,000	1,000	Cash	Nil	9,79,913	14,61,50,000	97.99
December 21,1981	15,000	1,000	1,000	Cash	Nil	9,94,913	1,50,00,000	99.49
March 27,1982	33,300	1,000	1,000	Cash	Nil	10,28,213	3,33,00,000	102.82
June 14,1982	35,000	1,000	1,000	Cash	Nil	10,63,213	3,50,00,000	106.32
September 02,1982	36,000	1,000	1,000	Cash	Nil	10,99,213	3,60,00,000	109.92
December 14,1982	1,24,000	1,000	1,000	Cash	Nil	12,23,213	12,40,00,000	122.32
February 23,1983	15,000	1,000	1,000	Cash	Nil	12,38,213	1,50,00,000	123.82
March 26, 1983	60,000	1,000	1,000	Cash	Nil	12,98,213	6,00,00,000	129.82
June 6,1983	32,900	1,000	1,000	Cash	Nil	13,31,113	3,29,00,000	133.11
September 5, 1983	61,859	1,000	1,000	Cash	Nil	13,92,972	6,18,59,000	139.30
December 16, 1983	48,550	1,000	1,000	Cash	Nil	14,41,522	4,85,50,000	144.15
March 5,1984	2,14,541	1,000	1,000	Cash	Nil	16,56,063	21,45,41,000	165.61
May 14, 1984	1,39,579	1,000	1,000	Cash	Nil	17,95,642	13,95,79,000	179.56
January 8,1985	4,27,459	1,000	1,000	Cash	Nil	22,23,101	42,74,59,000	222.31
June 21,1985	11,75,665	1,000	1,000	Cash	Nil	33,98,766	1,17,56,65,000	339.88
November 18,1985	4,72,500	1,000	1,000	Cash	Nil	38,71,266	47,25,00,000	387.12
February 24,1986	4,20,000	1,000	1,000	Cash	Nil	42,91,266	42,00,00,000	429.13
June 6,1986	8,03,546	1,000	1,000	Cash	Nil	50,94,812	80,35,46,000	509.48
December 26,1986	3,05,000	1,000	1,000	Cash	Nil	53,99,812	30,50,00,000	539.98
March 31, 1987	10,000	1,000	1,000	Cash	Nil	54,09,812	1,00,00,000	540.98
April 29, 1987	3,31,200	1,000	1,000	Cash	Nil	57,41,012	33,12,00,000	574.10

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
November 25, 1987	11,26,681	1,000	1,000	Cash	Nil	68,67,693	1,12,66,81,000	686.77
March 9, 1988	1,57,700	1,000	1,000	Cash	Nil	70,25,393	15,77,00,000	702.54
May 4, 1988	1,62,258	1,000	1,000	Cash	Nil	71,87,651	16,22,58,000	718.77
August17, 1988	4,75,000	1,000	1,000	Cash	Nil	76,62,651	47,50,00,000	766.27
December 28, 1988	2,49,500	1,000	1,000	Cash	Nil	79,12,151	24,95,00,000	791.22
March 27, 1989	65,789	1,000	1,000	Cash	Nil	79,77,940	6,57,89,000	797.80
December 28, 1989	5,09,700	1,000	1,000	Cash	Nil	84,87,640	50,97,00,000	848.76
April 2, 1990	1,04,800	1,000	1,000	Cash	Nil	85,92,440	10,48,00,000	859.24
July 16, 1990	41,50,400	1,000	1,000	Cash	Nil	1,27,42,840	4,15,04,00,000	1,274.28
August 30, 1990	2,50,000	1,000	1,000	Cash	Nil	1,29,92,840	25,00,00,000	1,299.28
October 29, 1990 and November 5, 1990	8,20,000	1,000	1,000	Cash	Nil	1,38,12,840	82,00,00,000	1,381.28
January 24, 1991	19,45,000	1,000	1,000	Cash	Nil	1,57,57,840	1,94,50,00,000	1,575.78
February 26, 1991	4,35,200	1,000	1,000	Cash	Nil	1,61,93,040	43,52,00,000	1,619.30
May 13, 1991	9,26,300	1,000	1,000	Cash	Nil	1,71,19,340	92,63,00,000	1,711.93
July 17, 1991	6,40,000	1,000	1,000	Cash	Nil	1,77,59,340	64,00,00,000	1,775.93
August 9, 1991	2,15,000	1,000	1,000	Cash	Nil	1,79,74,340	21,50,00,000	1,797.43
November 27, 1991	7,11,800	1,000	1,000	Cash	Nil	1,86,86,140	71,18,00,000	1,868.61
December 24, 1991	5,38,000	1,000	1,000	Cash	Nil	1,92,24,140	53,80,00,000	1,922.41
June 19, 1992	11,87,200	1,000	1,000	Cash	Nil	2,04,11,340	1,18,72,00,000	2,041.13
August 5, 1992	3,90,000	1,000	1,000	Cash	Nil	2,08,01,340	39,00,00,000	20,80.13
October 9, 1992	6,05,000	1,000	1,000	Cash	Nil	2,14,06,340	60,50,00,000	21,40.63
November 27,1992	3,70,000	1,000	1,000	Cash	Nil	2,17,76,340	37,00,00,000	2,177.63
January 27,1993	7,76,000	1,000	1,000	Cash	Nil	2,25,52,340	77,60,00,000	2,255.23
July 2,1993	9,58,500	1,000	1,000	Cash	Nil	2,35,10,840	95,85,00,000	2,351.08
September 2,1993	5,60,000	1,000	1,000	Cash	Nil	2,40,70,840	56,00,00,000	2,407.08
November 25,1993	9,20,000	1,000	1,000	Cash	Nil	2,49,90,840	92,00,00,000	2,499.08
June 15,1996	(20,56,461)*	1,000	1,000	-	-	2,29,34,379	-2,05,64,61,000	2,293.44
June 15,1996	20,58,600	1,000	1,000	Cash	Nil	2,49,92,979	2,05,86,00,000	2,499.30
July 25,1997	(2,38,832)*	1,000	1,000	-	Nil	2,47,54,147	-23,88,32,000	2,475.41
July 25,1997	13,91,800	1,000	1,000	Cash	Nil	2,61,45,947	1,39,18,00,000	2,614.59
September 23,1997	5,11,000	1,000	1,000	Cash	Nil	2,66,56,947	51,10,00,000	2,665.69
November 1,1997	15,70,000	1,000	1,000	Cash	Nil	2,82,26,947	1,57,00,00,000	2,822.69
December	5,00,000	1,000	1,000	Cash	Nil	2,87,26,947	50,00,00,000	2,872.69

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
5,1997								
February 21,1998	9,60,000	1,000	1,000	Cash	Nil	2,96,86,947	96,00,00,000	2,968.69
July 22,1998	10,65,000	1,000	1,000	Cash	Nil	3,07,51,947	1,06,50,00,000	3,075.19
September 18,1998	6,40,000	1,000	1,000	Cash	Nil	3,13,91,947	64,00,00,000	3,139.19
October 17,1998	3,30,000	1,000	1,000	Cash	Nil	3,17,21,947	33,00,00,000	3,172.19
November 13/19, 1998	50,000	1,000	1,000	Cash	Nil	3,17,71,947	5,00,00,000	3,177.19
January 4, 1999	5,44,200	1,000	1,000	Cash	Nil	3,23,16,147	54,42,00,000	3,231.61
January 29, 1999	50,000	1,000	1,000	Cash	Nil	3,23,66,147	5,00,00,000	3,236.61
March 19, 1999	10,09,800	1,000	1,000	Cash	Nil	3,33,75,947	1,00,98,00,000	3,337.59
April 28, 1999	6,06,400	1,000	1,000	Cash	Nil	3,39,82,347	60,64,00,000	3,398.23
July 31, 1999	8,42,600	1,000	1,000	Cash	Nil	3,48,24,947	84,26,00,000	3,482.49
July 31, 1999	6,30,000	1,000	1,000	Cash	Nil	3,54,54,947	63,00,00,000	3,545.49
August 27, 1999	13,14,600	1,000	1,000	Cash	Nil	3,67,69,547	1,31,46,00,000	3,676.95
September 24,1999	60,000	1,000	1,000	Cash	Nil	3,68,29,547	6,00,00,000	3,682.95
October 25,1999	20,000	1,000	1,000	Cash	Nil	3,68,49,547	2,00,00,000	3,684.95
November 30,1999	5,20,000	1,000	1,000	Cash	Nil	3,73,69,547	52,00,00,000	3,736.95
January 18,2000	4,70,000	1,000	1,000	Cash	Nil	3,78,39,547	47,00,00,000	3,783.95
February 3,2000	9,22,100	1,000	1,000	Cash	Nil	3,87,61,647	92,21,00,000	3,876.16
March 10,2000	8,90,000	1,000	1,000	Cash	Nil	3,96,51,647	89,00,00,000	3,965.16
March 30,2000	3,20,800	1,000	1,000	Cash	Nil	3,99,72,447	32,08,00,000	3,997.24
April 26,2000	2,32,500	1,000	1,000	Cash	Nil	4,02,04,947	23,25,00,000	4,020.49
July 20,2000	11,78,300	1,000	1,000	Cash	Nil	4,13,83,247	1,17,83,00,000	4,138.32
August 25, 2000	14,00,000	1,000	1,000	Cash	Nil	4,27,83,247	1,40,00,00,000	4,278.32
September 27, 2000	6,91,800	1,000	1,000	Cash	Nil	4,34,75,047	69,18,00,000	4,347.50
October 24, 2000	12,39,100	1,000	1,000	Cash	Nil	4,47,14,147	1,23,91,00,000	4,471.41
March 8, 2001	14,30,800	1,000	1,000	Cash	Nil	4,61,44,947	1,43,08,00,000	4,614.49
April 30, 2001	14,80,000	1,000	1,000	Cash	Nil	4,76,24,947	1,48,00,00,000	4,762.49
June 20, 2001	29,11,500	1,000	1,000	Cash	Nil	5,05,36,447	2,91,15,00,000	5,053.64
September 7, 2001	9,46,400	1,000	1,000	Cash	Nil	5,14,82,847	94,64,00,000	5,148.28
November 26, 2001	14,47,700	1,000	1,000	Cash	Nil	5,29,30,547	1,44,77,00,000	5,293.05
April 30, 2002	62,67,700	1,000	1,000	Cash	Nil	5,91,98,247	6,26,77,00,000	5,919.82
July 24, 2002	6,35,100	1,000	1,000	Cash	Nil	5,98,33,347	63,51,00,000	5,983.33
August 22, 2002	10,18,400	1,000	1,000	Cash	Nil	6,08,51,747	1,01,84,00,000	6,085.17
October 21,	18,57,500	1,000	1,000	Cash	Nil	6,27,09,247	1,85,75,00,	6,270.92

Date of Issue/ Allotment	No. of Equity Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Cumulative Share Premium	Cumulative No. of Equity Shares	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs. in crore)
2002							0	
December 23, 2002	21,69,300	1,000	1,000	Cash	Nil	6,48,78,547	2,16,93,00,000	6,487.85
February 26, 2003	20,55,350	1,000	1,000	Cash	Nil	6,69,33,897	2,05,53,50,000	6,693.39
April 28, 2003	12,13,700	1,000	1,000	Cash	Nil	6,81,47,597	1,21,37,00,000	6,814.76
June 11, 2003	10,66,200	1,000	1,000	Cash	Nil	6,92,13,797	1,06,62,00,000	6,921.38
July 28, 2003	14,40,000	1,000	1,000	Cash	Nil	7,06,53,797	1,44,00,00,000	7,065.38
September 30, 2003	21,22,100	1,000	1,000	Cash	Nil	7,27,75,897	2,12,21,00,000	7,277.59
December 18, 2003	22,38,500	1,000	1,000	Cash	Nil	7,50,14,397	2,23,85,00,000	7,501.44
January 27, 2004	27,41,900	1,000	1,000	Cash	Nil	7,77,56,297	2,74,19,00,000	7,775.63
April 28,2004	42,75,500	1,000	1,000	Cash	Nil	8,20,31,797	4,27,55,00,000	8,203.18
July 30, 2004	23,69,400	1,000	1,000	Cash	Nil	8,44,01,197	2,36,94,00,000	8,440.12
September 15, 2004	30,58,700	1,000	1,000	Cash	Nil	8,74,59,897	3,05,87,00,000	8,745.99
October 30, 2004	23,54,200	1,000	1,000	Cash	Nil	8,98,14,097	2,35,42,00,000	8,981.41
December 30, 2004	18,71,200	1,000	1,000	Cash	Nil	9,16,85,297	1,87,12,00,000	9,168.53
March 24, 2005	25,70,900	1,000	1,000	Cash	Nil	9,42,56,197	2,57,09,00,000	9,425.62
April 21, 2005	15,88,900	1,000	1,000	Cash	Nil	9,58,45,097	1,58,89,00,000	9,584.51
July 22, 2005	9,94,300	1,000	1,000	Cash	Nil	9,68,39,397	99,43,00,000	9,683.94
September 30, 2005	18,59,300	1,000	1,000	Cash	Nil	9,86,98,697	1,85,93,00,000	9,869.87
September 30, 2005	83,323	1,000	1,000	Cash	Nil	9,87,82,020	8,33,23,000	9,878.20
November 23, 2005	10,46,900	1,000	1,000	Cash	Nil	9,98,28,920	1,04,69,00,000	9,982.89
December 29, 2005	17,57,100	1,000	1,000	Cash	Nil	10,15,86,020	1,75,71,00,000	10,158.60
March 24, 2006	5,66,800	1,000	1,000	Cash	Nil	10,21,52,820	56,68,00,000	10,215.28
April 20, 2006	2,03,800	1,000	1,000	Cash	Nil	10,23,56,620	20,38,00,000	10,235.67
July 21, 2006	11,36,800	1,000	1,000	Cash	Nil	10,34,93,420	1,13,68,00,000	10,349.34
September 6,2006	15,11,200	1,000	1,000	Cash	Nil	10,50,04,620	1,51,12,00,000	10,500.46
February 7, 2007	24,56,200	1,000	1,000	Cash	Nil	10,74,60,820	2,45,62,00,000	10,746.08
March 13, 2007	13,54,600	1,000	1,000	Cash	Nil	10,88,15,420	1,35,46,00,000	10,881.54
March 13, 2007	The equity shares of Rs. 1,000 each were split into Equity Shares of the face value of Rs. 10 each.							
March 26, 2007	31,66,70,500	10	10	Cash	Nil	11,19,82,12,500	3,16,67,05,000	11,198.21
May 26, 2007	(2,45,50,000)**	10	10	-	-	11,17,36,62,500	(24,55,00,000)	11,173.66
March 13, 2008	88,30,930	10	10	Cash	Nil	11,18,24,93,430	8,83,09,300	11,182.49

** Reduction of share capital on account of transfer of transmission assets to Power Grid Corporation of India Limited.*
***Reduction of share capital on account of closure of Koel Karo hydroelectric project in the state of Jharkhand.*

2. Promoter's Contribution and Lock-in

The MoP has granted approval for lock-in of 20% of the fully diluted post-Issue paid-up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007.

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

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

- The Equity shares offered for minimum 20% Promoter's contribution are not acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoter's contribution;

- The minimum Promoter's contribution does include the Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered to the public in the Issue. These equity shares are eligible for being locked in for Promoter's contribution for three years as they fall under the exemption granted to unlisted government companies and those engaged in infrastructure sector through the proviso to Clause 4.6.2 of the SEBI Guidelines;

- Our Company has not been formed by the conversion of a partnership firm into a company;

- The Equity Shares held by the Promoter and offered for minimum 20% Promoters' contribution are not subject to any pledge;

- The minimum Promoter's contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through an intermediary;

- The minimum Promoters' contribution does not contain any Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in; and

- Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue Equity Shareholding of our Company held by the Promoter shall be locked-in for a period of three years from the date of Allotment in the Issue.

The Equity Shares of the Company are presently held in dematerialised form. Therefore, the Equity Shares included in the minimum Promoter's contribution will not be on a last-in-first-out basis. However, the details of the Equity Shares, equivalent to the number of Equity Shares held by the Promoter which shall be locked-in for a period of three years are given below:

Date of Issue/Allotment	Number of Equity Shares	Face Value (Rs.)*	Issue price per equity share (Rs.)	Consideration (cash/other than cash)
March 13, 2008	88,30,930	10	10	Cash

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

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

The Promoters' contribution has been brought in to the extent of the specified minimum percentage.

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

Other than the above Equity Shares that are locked in for three years, the entire pre-Issue share capital less the number of Equity Shares for which transfer is made under the Offer for Sale shall be locked in for a period of one year from the date of Allotment in this Issue i.e., based on an offer for sale of 55,91,24,672 Equity Shares, the total number of Equity Shares which shall be locked in for one year is 8,16,32,20,203 Equity Shares.

Other requirements in respect of lock-in

As per Clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoter, as specified above, 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. Provided that if any Equity Shares are locked in as minimum Promoter's contribution under Clause 4.11.1, the same may be pledged, only if, in addition to fulfilling the above requirement, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the Objects of the Issue.

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

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

3. **Shareholding Pattern of our Company**

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

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

4. In case of over-subscription in all categories, at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill-over from other categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLMs.

5. A total of 2.50% of the Issue, i.e. 4,19,34,350 Equity Shares, has been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum bid by each Eligible Employee in this portion being Rs. 0.25 crore. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Eligible Employees other than as defined in this Red Herring Prospectus are not eligible to participate under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the Net Issue Portion and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 4,19,34,350 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and may be added to any category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs.

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

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

S. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	11,18,24,92,830	99.99
2.	Mr. S.K. Garg*	100	Negligible
3.	Mr. A.B.L. Srivastava*	100	Negligible
4.	Mr. Gurdial Singh*	100	Negligible
5.	Mr. Jayant Kawale*	100	Negligible
6.	Mr. D.P. Bhargava*	100	Negligible
7.	Mr. Rakesh Jain*	100	Negligible
	Total	**11,18,24,93,430**	**100.00**

* *as a nominee of the President of India*

Ten days before the filing of this Red Herring Prospectus:

S. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	11,18,24,92,830	99.99
2.	Mr. S.K. Garg*	100	Negligible
3.	Mr. A.B.L. Srivastava*	100	Negligible
4.	Mr. Gurdial Singh*	100	Negligible
5.	Mr. Jayant Kawale*	100	Negligible
6.	Mr. D.P. Bhargava	100	Negligible
7.	Mr. Rakesh Jain	100	Negligible
	Total	**11,18,24,93,430**	**100.00**

* *As a nominee of the President of India*

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

S. No.	Name of Shareholders	Number of Equity Shares*	Shareholding (%)
1.	President of India acting through the MoP	11,17,36,61,900	99.99
2.	Mr. Rajesh Verma**	100	Negligible
3.	Mr. S.K. Garg**	100	Negligible
4.	Mr. S.K. Chaturvedi**	100	Negligible
5.	Mr. Gurdial Singh**	100	Negligible
6.	Mr. A. K. Kutty**	100	Negligible
7.	Mr. S.P. Sen**	100	Negligible
	Total	**11,17,36,62,500**	**100**

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

8. The Equity Shares of our Company are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Red Herring Prospectus.

9. Neither the President of India, acting through the MoP, who is our Promoter, nor our Directors, have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

10. Four of our Directors hold Equity Shares as nominees of the President of India. None of our key managerial employees holds any Equity Shares. For details, see ***"Our Management"*** on page 148.

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

12. Except for allotment of 6,29,529 equity shares (face value of Rs. 1,000) on February 28, 1978 and allotment of one equity share (face value of Rs, 1,000) (partly for other than cash) on August 6, 1980 to the President of India acting through MoP, GoI, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

13. Our Company has 11,870 employees as on July 20, 2009. Our Company has not granted any options or issued any shares under any employees' stock option or employees' stock purchase scheme. However, the Pay Committee has recommended that all public sector undertakings should formulate an ESOP and 10% to 25% of the Performance Related Pay should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify.

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

15. An over-subscription to the extent of 10% of the net offer to public can be retained for the purposes of rounding off to the minimum allotment lot and further to the nearest multiple of market lot.

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

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

18. Our Company and the Selling Shareholders have not raised any bridge loans against the proceeds of the Issue.

19. We presently do not intend or propose any further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.

20. We presently do not intend or propose to alter our capital structure from the date of submission of this Red Herring Prospectus until the Equity Shares have been listed on the Stock Exchanges.

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

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

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

24. Our Promoter will not participate in this Issue.

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue by 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 55,91,24,672 Equity Shares of Rs. 10 each by the Selling Shareholder. Our Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder.

The Objects of the Fresh Issue

The objects of the Fresh Issue are to:

(a) utilise the proceeds of the Fresh Issue, after deducting the proportionate underwriting and issue management fees, selling commissions and other expenses associated with the Fresh Issue (the ''**Net Proceeds of the Fresh Issue**'') to part finance the construction and development costs of certain of our projects, namely, Subansiri Lower, Uri – II, Chamera - III, Parbati – III, Nimoo Bazgo, Chutak, and Teesta Low Dam - IV ("**Identified Projects**");
(b) utilise the remaining portion of the Net Proceeds of the Fresh Issue for general corporate purposes; and
(c) create a public trading market for our Equity Shares by listing them on Stock Exchanges, as we believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

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

Fund Requirements

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

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

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

Funding Plan

S. No.	Particulars	Amount (Rs. in crore)
(a)	Debt	9,175.76

S. No.	Particulars	Amount (Rs. in crore)
(b)	Subordinate Debt from GoI	634.00
	Sub Total*	**9,809.76**
(c)	Equity from GoI	2,060.08
(d)	Internal Accruals**	[●]
(e)	Proceeds of the Fresh Issue**	[●]
	Total	**[●]**

**This amount aggregates 70% of the debt component of funding for the Identified Projects.*
***To be incorporated at the time of fling of the Prospectus.*

The relevant loans availed by our Company for the Identified Projects are set forth below:

(Amount in Rs. Crore)

Banks/FI/GoI	Total Facility	Deployed as on June 30, 2009	Undrawn Facility
Life Insurance Corporation of India	6,203.94	1,600	4,603.94
Power Finance Corporation Limited	820.00	416.00	404.00
GoI (subordinated debt)	634.00	34.00	600.00
Total	**7,657.94**	**2,050.00**	**5,607.94**

We received a non-renewable line of credit aggregating Rs. 6,500.00 crore from Life Insurance Corporation of India ("**LIC**"), through a line of credit agreement dated February 17, 2005. Pursuant to a resolution of our Board of Directors dated March 26, 2007, out of the said line of credit limit, Rs. 6,203.94 crore were earmarked for five Identified Projects, i.e. Subansiri Lower, Uri-II, Chamera-III, Parbati-III and Nimoo Bazgo. As on June 30, 2009, the Company has undrawn facilities aggregating Rs. 4,603.94 crore available from the said line of credit. Further, we have entered into loan agreements dated March 24, 2008 with Power Finance Corporation Limited ("**PFC**") for Teesta Low Dam – IV and Chutak Projects for credit facilities of Rs. 750.00 crore and Rs. 70.00 crore respectively, out of which as on June 30, 2009, the undrawn amount is Rs. 404.00 crore for Teesta Low Dam – IV. With respect to the Chutak project, we have fully utilized the tied-up amount of Rs. 70.00 crore. We intend to tie-up the balance debt aggregating Rs. 2,151.82 crore in due course as per the funds requirement for our respective Identified Projects from banks and/or financial institutions.

The MoP, GoI, approved subordinate debt for two of the Identified Projects i.e. Nimoo Bazgo and Chutak aggregating Rs. 270.00 crore and Rs. 364.00 crore respectively through letter no. 33/1/2002-DO (NHPC) dated November 23, 2006, out of which Rs. 34 crore has been drawn as on June 30, 2009 for our Nimoo Bazgo project.

For further details of the loans availed of by our Company, see "***Financial Indebtedness***" on page 271.

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

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

We have already deployed Rs. 6,698.71 crore towards the Identified Projects as on June 30, 2009. Of this amount, pending disbursal of sanctioned debt facilities, we have deployed Rs. 2,409.03 crore out of internal accruals for the Identified Projects in place of the approved debt component, which we intend to recoup from undrawn debt facilities available with our Company.

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

(a) Details of the Identified Projects

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

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

For further details of the Identified Projects, see "***Our Business – Projects under Construction***" on page 96.

Funds Requirement and Funding Plan for our Identified Projects

Within the stipulated debt–equity structure of 70:30, for certain of the Identified Projects, the GoI has also approved subordinate debt or instructed us to utilise internal resources. For details of the 70% debt component for the Identified Projects and the funding plan for the same, see "***-Funding Plan***" on page 36.

Details for each of the Identified Projects are described in the table below.

(Rs. in crore)

		Funds Require-ment	Funding Plan					Sources of Funds Already Deployed		
S. No.	Name of Identified Project	Approved Cost (as per CCEA)	Debt	Subordinate Debt from GOI	Equity	Internal Accruals	Amount deployed as of June 30, 2009*	Debt**	Equity from GOI	Internal Accruals@
1.	Subansiri Lower	6,285.33	4,399.73	-	1,885.60	-	3,170.58	728.41	1,448.13	994.04
2.	Uri II	1,724.79	1,207.35	-	517.44	-	838.88	230.78	136.24	471.86
3.	Chamera III	1,405.63	983.94	-	421.69	-	867.91	278.50	173.60	415.81
4.	Parbati III	2,304.56	1,613.19	-	591.37	100.00	755.49	311.53	130.71	313.25
5.	Nimoo Bazgo	611.01	157.71	270.00	183.30	-	286.64	84.78$	52.93	148.93
6.	Chutak	621.26	70.88	364.00	186.38	-	262.13	70.00	41.97	150.16
7.	Teesta Low Dam IV	1,061.38	742.96	-	238.82	79.60	517.08	346.00	76.50	94.58
	Total	**14,013.96**	**9,175.76**	**634.00**	**4,024.60**	**179.60**	**6,698.71**	**2050.00**	**2,060.08**	**2588.63**

** As certified by GSA & Associates, Chartered Accountants vide their certificate dated July 17, 2009.*
*** Including subordinate debt from the GoI.*
$ This includes subordinate debt of Rs. 34 crore received from GoI

@ We are incurring expenditure on regular basis as per the progress of the work and are drawing the debts from LIC/PFC on periodical basis. Pending disbursement of further debt from LIC/PFC, we have already incurred Rs. 2,409.03 crore out of our internal accruals, which will be recouped in due course out of the further disbursement from LIC/PFC/subordinate debts and the deployment figures of debt and internal accruals will be updated suitably.

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

S. No.	Particulars	Amount (Rs. In crore)
1.	Total Fund Requirement for the Identified Projects	14,013.96
2.	Less: Amount deployed as of June 30, 2009	6698.71
3.	Remaining Funds Requirement	7,315.25
4.	Undrawn Debt facilities (Net of Internal Accruals to be recouped) as of June 30, 2009*	3,198.91
5.	Balance Debt to be Tied-up	2,151.82
6.	Proceeds of the Fresh Issue**	[●]
7.	Amount to be funded out of Internal Accruals**	[●]

**Undrawn debt facility from LIC & PFC (net of internal accruals to be recouped): Rs. 2,598.91 crore and undrawn subordinate debt from GoI: Rs. 600.00 crore.*
***To be incorporated at the time of fling of the Prospectus.*

Project Contracts

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

Project Implementation

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

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

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
1.	Subansiri Lower	Civil works	Contract for construction of diversion tunnels, coffer dams, concrete gravity dam, plunge pool and cut-off wall.	January 16, 2004	BGS – SGS –Soma JV	Rs.1,059.44 crore + Euro 7,079,770.88
			Contract for construction of surface power house, tail race channel, head race tunnel, surge chambers, pressure shafts and intake structures	January 19, 2004.	Larsen & Toubro Limited (“**L&T**”)	Rs. 921.59 crore
			Contract for construction of surge tunnels, surge shaft and associated construction adits, etc.	May 14, 2009	L&T	Rs. 422.504 crore
		Electrical and mechanical works	(First) contract for supply of all offshore equipment and materials for electrical and mechanical works	March 30, 2005	Consortium of Alstom Hydro, France & Alstom Projects India Limited (“**Alstom India**”)	Euro 76,802,185.00 + US$ 6,779,760.00
			(Second) contract for supply of all on-shore equipment and materials for electrical and mechanical works	March 30, 2005	Consortium of Alstom Hydro, France & Alstom India	Rs. 727.97 crore + Euro 23,212,410 + US$ 14,568,808
			Contract for all on-shore services in respect of all equipment supplied under both first and second contract	March 30, 2005	Alstom India	Rs. 123.74 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
		Hydro-mechanical works	(First) contract agreement for supply of all off shore as well as on shore equipment and materials for all hydromechanical works	July 12, 2006	Texmaco Limited	Rs. 211.48 crore + Euro 2,215,729.70
			(Second) contract for all services including installation and commissioning of certain hydromechanical equipment and materials	July 12, 2006	Texmaco Limited	Rs. 71.92 crore
2.	Uri II	Civil works	Agreement for construction of diversion tunnel including gates, concrete gravity dam, head race tunnel, surge shaft, pressure shaft, power house and tail race tunnel	October 17, 2005	Hindustan Construction Company Limited ("**HCC**")	Rs. 574.99 crore
		Electrical and mechanical works	(First) contract for supply of all offshore equipment and materials for electrical and mechanical works	January 25, 2007	Alstom Hydro, France	JPY 1,814,229,275 + CHF 14,256,086
			(Second) contract for ex-works supply of all equipment and materials for electrical and mechanical works	January 25, 2007	Alstom India	Rs.186.73 crore + Euro 3,531,935.00
			(Third) Contract for providing all on-shore services of all equipment supplied under first and second contracts, including performance and guarantee tests	January 25, 2007	Alstom India	Rs. 38.82 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
		Hydro-mechanical works	(First) contract for supply of all off shore as well as on shore equipment and materials for all hydromechanical works	June 5, 2007	OM Metals-SPML (JV)	Euro 756,000 + Rs. 41.17 crore
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract	June 5, 2007	OM Metals-SPML (JV)	Rs. 10.28 crore
3.	Chamera III	Civil works	Agreement for construction of diversion tunnel, diversion tunnel gate, coffer dams, concrete dam, intake structure, desilting arrangements, head race tunnel, surge shaft, pressure shaft, underground powerhouse tail race system and pot head yard	October 17, 2005	HCC	Rs.504.87 crore
		Electrical and mechanical works	(First) contract for supply of all offshore plant and equipment for electrical and mechanical works	March 2, 2007	Alstom Hydro, France	JPY 1,150,003,216
			(Second A) contract for supply of all required plant and equipment of Indian origin for electrical and mechanical works	March 2, 2007	Alstom Hydro, France	Rs.36.30 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			(Second B) contract for supply of all required plant and equipment of Indian origin for electrical and mechanical works	March 2, 2007	Alstom India	Rs. 110.21 crore + Euro 3,216,547
			(Third) Contract providing all on-shore services including performance and guarantee tests in respect of equipment supplied under the first, second-A and second B contracts	March 2, 2007	Alstom India	Rs.27.20 crore
		Hydro-mechanical works	(First) contract for supply of all off shore as well as on shore equipment and materials for all hydromechanical works	August 20, 2007	OM Metals-SPML (JV)	Rs. 45.92 crore + Euro 1,412,000.00
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract	August 20, 2007	OM Metals-SPML (JV)	Rs.11.75 crore
4.	Parbati III	Civil works	Contract for construction of diversion cum spillway tunnels, including gates and hoists, coffer dams, rock fill dam, cut off wall part, head race tunnel and other structures	January 25, 2006	Consortium of Patel Engineering Limited and L&T	Rs.439.08 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			Agreement for the construction of part head race tunnel, surge shaft, pressure shaft, power house and tail race tunnel	January 17, 2006	Jager-Gammon joint venture	Rs.304.72 crore + Euro 3,548,491.73
		Electrical and mechanical works	Agreement for supply of all plant, equipment, instruments and tools for electrical and mechanical works	January 23, 2007	Bharat Heavy Electricals Limited ("**BHEL**")	Rs. 282.72 crore + Euro 2,864,281.28 + CHF 12,848,109.68
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment	January 23, 2007	BHEL	Rs. 37.17 crore + Euro 752,871.28 + CHF 778,251.32
		Hydro-mechanical Works	(First) contract for supply of all off shore as well as on shore equipment and materials for all hydromechanical works	August 20, 2007	OM Metals-SPML (JV)	Rs. 79.38 crore + Euro 524,000.00
			(Second) contract for providing all services including transportation, installation, testing and commissioning of hydromechanical equipment provided under first contract	August 20, 2007	OM Metals-SPML (JV)	Rs.13.81 crore
5.	Nimoo Bazgo	Civil works	Agreement for construction of concrete dam, coffer dams, diversion channel, surface power house, tail	October 30, 2006	HCC	Rs.383.90 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			pool and switch yard			
		Electrical and mechanical works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	July 2, 2007	BHEL	Rs.147.10 crore
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment supplied under first contract	July 2, 2007	BHEL	Rs.25.30 crore
		Hydro mechanical works	Contract Agreement (First Contract) for supply of all off shore as well as on-shore equipments and materials for all hydro mechanical works	August 06, 2008	PES Engineers Private Limited	Euro 755,700.00 + INR 251,305,974.00
			Contract Agreement (Second Contract) for providing of all on shore services including transportation, installation, testing and commissioning of hydro mechanical equipments provided under First Contract	August 06, 2008	PES Engineers Private Limited	INR 92,985,669.84
6.	Chutak	Civil works	Agreement for construction of diversion channel, cofferdams, barrage, head	October 30, 2006	HCC	Rs.410.54 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			race tunnel, surge shaft, pressure shaft, underground power house, tail race tunnel system, and switch yard			
		Electrical and mechanical works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	October 3, 2007	BHEL	Rs.200.47 crore
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment supplied under first contract	October 3, 2007	BHEL	Rs.30.16 crore
		Hydro Mechanical Works	Contract Agreement (First Contract) for supply of all off shore as well as on-shore equipments and materials for all hydro mechanical works	August 06, 2008	PES Engineers Private Limited	Euro 3,23,400.00 + Rs. 19.75 crore
			Contract Agreement (Second Contract) for providing of all on-shore services including transportation, installation, testing and commissioning of hydro mechanical equipments provided under	August 06, 2008	PES Engineers Private Limited	Rs. 6.29 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			First Contract			
7.	Teesta Low Dam IV	Civil Works package	Agreement for construction of diversion arrangement, concrete gravity dam along with spillway, roller compacted concrete dam, intake structure, surface power house, tail race channel, switch yard and other associated civil works	May 10, 2006	HCC	Rs.395.90 crore
		Electrical and mechanical works	(First) contract for supply of all plant, equipment, instruments and tools for electrical and mechanical works	June 1, 2007	BHEL	Rs.221.35 crore
			(Second) contract for providing all services including transportation, installation and commissioning of electrical and mechanical equipment supplied under first contract	June 1, 2007	BHEL	Rs.26.23 crore
		Hydro-mechanical works	(First) contract for supply of all off shore as well as on shore equipments and materials for all hydromechanical works	June 5, 2007	Om Metals – SPML(JV)	Euro 3,356,760 + Rs. 57.64 crore
			(Second) contract for providing all services including transportation, installation, testing and commissioning of	June 5, 2007	Om Metals – SPML(JV)	Rs. 11.48 crore

S. No.	Identified Project	Category of Package	Details of Contract Awarded	Date of Agreement/Award	Name of Party	Agreement Value*
			hydromechanical equipments provided under first contract			

**Excluding taxes and duties wherever applicable*

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

Package name	Description
Dam works	Construction of ▪ Main dam and spillways ▪ Diversion tunnel ▪ Coffer dam ▪ Intake structure
Head race tunnel works	Construction of ▪ Adit tunnel and ▪ Headrace tunnel
Tail race tunnel works	Construction of ▪ Adit tunnel and ▪ Tailrace tunnel
Tunnel works	Includes ▪ Headrace tunnel works and ▪ Tailrace tunnel works
Power house	Construction of ▪ Power house ▪ Switchyard ▪ Pressure shaft and ▪ Surge shaft
Hydro mechanical works	Design, manufacturing/supply, installation, testing and commissioning of ▪ Radial gates ▪ Stoplog gate ▪ Silt excluding gate ▪ Pressure shaft liner ▪ Intake gates ▪ Surge shaft gates ▪ Draft tube gates ▪ Intake trash racks ▪ Adit inspection gate ▪ Hydraulic hoist ▪ Gantry cranes ▪ Rope drum hoist ▪ Electric overhead traveling (“**EOT**”) cranes ▪ Monorail hoist ▪ Automated reservoir monitoring and control system
Electrical and mechanical works	a) Turbine and accessories a. Turbine b. Main inlet valve c. Governing system b) Generator and accessories a. Generator b. Static excitation system c) Balance of plant – Electrical system a. Bus duct b. Tranformer c. General lighting services

Package name	Description
	d. Cross linked polyethylene insulated power cable e. Pothead yard/switchyard f. DC system g. Control, monitoring and relay h. Protection system i. Power and control cables j. Tap off transformer and 11KV switchgear k. Illumination system l. Public address system m. Electrical workshop n. Security and surveillance d) Balance of plant – Mechanical system a. Diesel generator set b. EOT crane c. Cooling water system d. Drainage and Dewatering system e. High voltage AC system f. High pressure and low pressure compressed air system g. Fire fighting system h. Oil handling system i. Mechanical workshop j. Elevator k. Grounding system
Major Civil Works	Includes ▪ Dam works ▪ Water conduit structure ▪ Power house

Details of Plant and Machinery

In respect of the above mentioned contracts following are the details of major plant and machineries deployed/likely to be deployed in these contracts:

1. Subansiri (Lower) Hydroelectric Project, Lower Subansiri District, Arunachal Pradesh and Dhemaji District, Assam

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In USD	In EURO	
ELECTRO-MECHANICAL	M/s Alstom Hydro, France and Alstom Projects India Limited	March 30, 2005	In progress			
Turbine and accessories				6,779,760.00	22,147,946.00	250.53
General information and requirements				-	-	0.53
Governing system and accessories (digital type)				-	5,244,118.00	21.89
Main inlet valve and accessories				14,568,808.00	1,020,832.00	47.26
Generator				-	20,359,327.00	192.77
Static excitation system				-	5,197,877.00	0.40
420kv gas insulated switchgear.				-	37,127,620.00	4.82

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In USD	In EURO	
145kv gas insulated switchgear.				-	4,769,467.00	1.77
Computerised control and monitoring (scada) system				-	4,147,408.00	6.19
16kv bus duct				-	-	12.70
Transformers				-	-	116.60
Outdoor potyard equipment				-	-	6.01
220v and 48vdc system				-	-	5.83
Protection system				-	-	9.56
Power and control cables				-	-	17.68
11 kv switchgear				-	-	1.83
D.G. sets				-	-	6.32
415 v switchgear auxiliary and station service transformers				-	-	17.89
Power line carrier communication system				-	-	-
Illumination system				-	-	5.54
PA and communication system				-	-	1.53
Electrical workshop				-	-	4.30
EOT crane				-	-	19.90
Cooling water system				-	-	33.82
Drainage dewatering system				-	-	6.50
Ventilation and air conditioning system				-	-	24.84
Grounding system				-	-	3.98
Compressed air system				-	-	1.95
Fire fighting system				-	-	13.81
Oil handling system				-	-	4.69
Mechanical workshop equipment				-	-	2.97
Elevator				-	-	1.60
Security and surveillance system				-	-	5.71
SUB-TOTAL (A)				**21,348,568.00**	**100,014,595.00**	**851.72**
HYDRO-MECHANICAL						
Spillway radial gates and hoists	Texmaco Limited	JULY 12, 2006	In progress	-	22,15,729.70	77.83
Spillway bulkhead and gantry crane				-	-	18.09
HRT intake trash rack				-	-	9.08

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In USD	In EURO	
HRT intake gates and hoists				-	-	33.73
Intake bulkhead gate and gantry crane				-	-	11.82
Draft tube gate and gantry crane				-	-	15.67
Diversion tunnel gates and hoists				-	-	17.05
Pressure shaft liner				-	-	100.14
Instrumentation and remote control system				-	-	2.22
Diesel generating set				-	-	0.77
Price adjustment value				-	-	(3.00)
SUB-TOTAL (B)				-	**22,15,729.70**	**283.41**
TOTAL (A+B)				**2,13,48,568.00**	**10,22,30,324.70**	**1,135.12**

2. Uri II Hydroelectric Project, Baramulla District, Jammu & Kashmir

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)			
				In Forex			In Rs. crore
				In JPY	In CHF	In EURO	
ELECTRO-MECHANICAL	M/s Alstom Hydro France/ M/s Alstom Projects India Limited	January 25, 2007	In progress				
Turbine and accessories				13,38,33,704.00	-	10,57,040.00	42.24
General information and requirements				-	-	-	0.26
Governing system and accessories (digital type)				6,06,80,727.00	-	-	1.35
Generator				7,96,47,352.00	-	15,56,000.00	37.17
Static excitation system				-	-	-	4.58
Isolated phase bus ducts				-	-	-	-
Generator step-up transformers				-	-	-	36.23
Outdoor conventional switchyard(pothead yard)				-	-	-	1.97
DC system				-	-	-	2.20
Control monitoring system				3,20,86,069.00	-	8,96,064.00	3.29
Protection system				-	-	-	4.20
Cabling system				-	-	-	8.20
11 kv bus duct				-	-	-	7.12
Silent D.G. sets							3.23

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)			
				In Forex			In Rs. crore
				In JPY	In CHF	In EURO	
				-	-	-	
420 Gas insulated switchgear				-	1,11,30,361.00	-	1.29
415 v switchgear and auxiliary transformers				-	-	-	7.97
Power line carrier communication system				-	-	-	0.00
Illumination system				-	-	-	2.64
Communication system				-	-	-	0.82
Electrical workshop				-	-	-	2.33
EOT crane				-	-	-	7.18
Cooling water system				4,85,03,806.00	-	-	5.69
Drainage dewatering system				-	-	-	6.76
Ventilation and air conditioning system				7,96,96,675.00	-	-	9.82
Grounding system				-	-	-	2.27
Compressed air system				-	-	-	1.05
Fire fighting system				-	-	-	4.76
Oil filteration plantoil filteration plant-insulating oil				-	-	-	2.33
Oil filteration plant-lubricating oil				-	-	-	0.00
Mechanical workshop equipment				-	-	-	1.15
Elevator				-	-	-	0.46
XLPE cable				93,30,71,865.00	-	-	1.26
Main inlet valve				1,63,56,920.00	-	-	11.29
11 kv switchgear				-	-	-	1.06
Uri-I additional bay				-	-	-	-
Outdoor conventional switchyard (pothead yard)				-	-	-	1.39
Control monitoring system				-	-	22,831.00	0.07
Protection system				-	-	-	0.86
XLPE cable				43,03,52,157.00	-	-	1.09
Main inlet valve				-	-	-	-
420 kv switchgear (GIS)				-	31,25,725.00	-	-
SUB-TOTAL (A)				**1,81,42,29,275.00**	**1,42,56,086.00**	**35,31,935.00**	**225.55**
HYDRO-MECHANICAL							

Name / Category of the Machinery(ies)	Name of the Suppli er(s)	Date of Place ment of Order (Contr act agree ment date)	Date of Supply (ies)	Cost Of Machinery(ies)			
				In Forex			In Rs. crore
				In JPY	In CHF	In EURO	
Spillway radial gates and hydraulic hoists	OM Metals- SPML (JV)	August 20, 2007	In progress	-	-	6,56,000.00	10.35
Spillway stop logs and gantry crane				-	-	-	3.38
Aquatic life discharge piping with valves				-	-	-	0.26
Head regulator trash racks				-	-	-	0.76
Head regulator gates and rope drum hoists				-	-	-	3.75
Intake trash racks at fore bay				-	-	-	0.99
Flushing tunnel gates and hydraulic hoist				-	-	1,00,000.00	1.12
Surge shaft gates and rope drum hoists				-	-	-	3.65
Draft tube gates and EOT Crane				-	-	-	3.84
Pressure shaft liner				-	-	-	21.56
Adit inspection gates				-	-	-	0.17
Instrumentation and Remote Control System				-	-	-	1.29
Diesel Generating Set (capacity 250kVA)				-	-	-	0.30
Mandatory tools and tackles				-	-	-	0.04
SUB-TOTAL (B)				-	-	**7,56,000.00**	**51.45**
TOTAL (A+B)				**1,81,42,29,275.00**	**1,42,56,086.00**	**42,87,935.00**	**277.00**

3. Chamera III Hydroelectric Project, Chamba District, Himachal Pradesh

Name / Category of the Machinery(ies)	Name of the Suppli er(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In JPY	In EURO	
ELECTRO-MECHANICAL	M/s Alstom Hydro, France and Alstom Projects India Limited	March 02, 2007	In progress			
General technical requirements				-	-	0.11
Turbine and accessories				11,58,68,048.28	10,74,509.00	22.19
Governing system and accessories (digital type)				4,93,63,849.17	-	1.34
Main inlet valve and accessories				1,24,06,436.13	-	8.54
Generator				6,27,46,270.89	13,08,000.00	29.08
Excitation system				-	-	4.47
Isolated phase bus ducts				-	-	5.58

Name / Category of the Machinery(ies)	Name of the Suppli er(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)		
				In Forex		
				In JPY	In EURO	In Rs. crore
Generator step- up transformers				-	-	23.49
XLPE cable				22,93,43,013.25	-	1.18
Gas insulated switchgear				65,12,50,049.96	-	0.64
Pothead yard equipments				-	-	1.80
220 v and 48 v DC system				-	-	2.55
Control, monitoring system				2,90,25,548.32	6,65,632.00	3.40
Protection system				-	-	4.21
Power and control cables (including cable trays)				-	-	7.09
11kv switchgear system				-	-	1.79
Diesel Generator ("**D.G.**") Sets				-	-	2.03
415 v ac supply system				-	-	4.41
Power line carrier communication system				-	-	-
Illumination system				-	-	3.39
Public address system				-	-	1.42
Electrical workshop equipment				-	-	1.70
EOT crane				-	-	6.92
Cooling water system				-	-	10.25
Drainage and dewatering system				-	-	3.97
HVAC system				-	1,68,406.00	9.74
Grounding system				-	-	1.92
Compressed air system				-	-	1.12
Fire fighting system				-	-	4.41
Oil filteration plant				-	-	2.61
Mechanical workshop equipments				-	-	1.58
Elevator				-	-	0.78
SUB-TOTAL (A)				**1,15,00,03,216.00**	**32,16,547.00**	**173.71**
HYDRO-MECHANICAL						
Spillway radial gates and hydraulic hoists	OM Metals-SPML (JV)	August 6, 2008	In progress	-	12,00,000.00	22.96
Spillway stoplogs and gantry crane				-	-	5.92
Aquatic life discharge piping with valves				-	-	1.02
Crest spillway fixed wheel vertical lift gate and rope drum hoist				-	-	3.57
Intake trash racks				-	-	0.83

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In JPY	In EURO	
Intake gates and rope drum hoists				-	-	3.47
Desilting chamber outlet gates and rope drum hoists				-	-	1.79
Flushing tunnel gates(service and emergency) and hydraulic hoists				-	2,12,000.00	1.90
Surge shaft gate and rope drum hoist				-	-	2.24
Draft tube gates and gantry crane				-	-	1.81
Pressure shaft liner				-	-	9.85
Adit inspection gates (manually operated)				-	-	0.35
Instrumentation and remote control system				-	-	1.44
Diesel Generating Set (capacity 312.5 kVA)				-	-	0.46
Mandatory tools and tackles				-	-	0.04
SUB-TOTAL (B)				-	**14,12,000.00**	**57.67**
TOTAL (A+B)				**1,15,00,03,216.00**	**46,28,547.00**	**231.38**

4. Parbati III Hydroelectric Project, District Kullu, Himachal Pradesh

Name / Category of the Machinery(ies)	Name of the Supplier (s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In CHF	In EURO	
ELECTRO-MECHANICAL	M/s BHEL	January 23, 2007	In progress			
General technical requirements				-	-	0.69
Turbine and accessories				-	-	46.82
Digital governing system and accessories				-	-	9.97
Main inlet valve and accessories				-	-	16.55
Generator				-	-	69.10
Static excitation system				-	-	5.71
Bus duct				-	-	9.12
GSU transformers				-	-	46.02
XLPE cables				-	3,617,152.56	0.41
Gas insulated switchgear				13,626,361.00	-	2.26
Outdoor potyard equipment				-	-	2.59
DC system						

Name / Category of the Machinery(ies)	Name of the Supplier (s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In CHF	In EURO	
				-	-	2.86
Control and monitoring (SCADA) system				-	-	19.52
Protection system				-	-	6.44
Cabling system				-	-	16.11
11kv switchgear				-	-	3.12
Silent D.G. sets				-	-	2.92
415v switchgear and auxiliary transformers				-	-	6.15
Illumination system				-	-	4.48
Communication system				-	-	1.43
Electrical workshop				-	-	3.45
EOT cranes				-	-	11.49
Cooling water system				-	-	5.51
Drainage and dewatering system				-	-	6.03
Heating, ventilation and air conditioning system (HVAC)				-	-	6.92
Grounding system				-	-	4.36
HP and LP compressed air system				-	-	0.61
Fire fighting system				-	-	2.29
Oil handling system				-	-	2.92
Mechanical workshop				-	-	1.53
Elevator				-	-	0.94
Security and surveillance system				-	-	1.56
SUB-TOTAL (A)				**1,36,26,361.00**	**36,17,152.56**	**319.89**
HYDRO-MECHANICAL						
Spillway radial gates and hydraulic hoists	OM Metals-SPML (JV)	August 20, 2007	In progress	-	2,60,000.00	6.70
Spillway stop logs and gantry crane				-	-	2.98
Aquatic life discharge piping with valves				-	-	0.63
Intake trash rack				-	-	3.29
Intake fixed wheel gates and rope drum hoists				-	-	2.45
Intake bulk head gate and rope drum hoist				-	-	2.22
Desilting chamber gate and eot crane				-	-	1.31

Name / Category of the Machinery(ies)	Name of the Supplier (s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)		
				In Forex		In Rs. crore
				In CHF	In EURO	
Flushing tunnel service gates and hydraulic hoists				-	1,32,000.00	0.97
Flushing tunnel emergency gates and hydraulic hoists				-	1,32,000.00	0.89
Surge shaft gates and rope drum hoists				-	-	3.44
Draft tube gates and gantry crane				-	-	2.03
Trt outlet gate and rope drum hoist				-	-	1.19
Adit gate (in hrt adit no.2) and adit gate (trt adit)				-	-	0.21
Pressure shaft steel liner				-	-	63.20
Instrumentation and remote control system				-	-	1.34
Diesel generating set				-	-	0.32
Mandatory tools and tackles				-	-	0.04
SUB-TOTAL (B)				-	**5,24,000.00**	**93.19**
TOTAL (A+B)				**1,36,26,361.00**	**41,41,152.56**	**413.08**

5. Nimoo Bazgo Hydroelectric Project, Leh District, Ladakh

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)	
				In Forex	In Rs. crore
				In EURO	
ELECTRO-MECHANICAL	M/s BHEL	July 2, 2007	In progress		
Unit model as specified in Contract				-	0.91
Turbine and accessories				-	27.17
Governing system and accessories (digital type)				-	5.90
Generator				-	25.58
Static excitation system				-	2.61
Isolated phase bus ducts				-	4.23
Generator step-up transformers				-	24.38
XLPE cable				-	7.64
Outdoor switchyard				-	13.84
DC system				-	2.75

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)	
				In Forex	
				In EURO	In Rs. crore
Control monitoring system				-	10.65
Protection system				-	4.08
Cabling system				-	5.11
11 kv switchgear				-	0.60
D.G. sets				-	1.45
415v switchgear and auxiliary transformers				-	5.19
PLCC system				-	1.08
Illumination system				-	2.78
Communication system				-	1.33
Electrical workshop				-	1.71
EOT crane				-	4.07
Cooling water system				-	5.05
Drainage dewatering system				-	1.70
Heating, ventilation and air conditioning system				-	4.37
Grounding system				-	1.67
Compressed air system				-	0.52
Fire fighting system				-	2.46
Oil handling system				-	1.21
Mechanical workshop equipment				-	1.58
Elevator				-	0.77
SUB-TOTAL (A)				-	**172.39**
HYDRO-MECHANICAL					
Spillway radial gates and hydraulic hoists	PES Engineers Pvt. Ltd.	August 6, 2008	In progress	6,32,040.00	18.45
Spillway stop logs and gantry crane				-	2.79
Intake trash racks				-	1.56
Intake fixed wheel gates and hydraulic hoists				1,23,660.00	2.20
Intake bulkhead gates and gantry crane				-	0.91
Draft tube gates and gantry crane				-	1.88
Penstock liner				-	4.99
Instrumentation and remote control system				-	1.13
Diesel generating set				-	0.50
Mandatory tools and tackles					0.03

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)	
				In Forex	
				In EURO	In Rs. crore
				-	
SUB-TOTAL (B)				7,55,700.00	**34.43**
TOTAL (A+B)				**7,55,700.00**	**206.82**

6. Chutak Hydroelectric Project, Kargil (Ladakh), Jammu & Kashmir

Name / Category of the Machinery(ies)	Name of the Supplier (s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)	
				In Forex	
				In EURO	In Rs. crore
ELECTRO-MECHANICAL					
General technical requirements			In progress	-	0.33
Turbine and accessories				-	25.75
Digital governing system and accessories				-	3.62
Main inlet valve and accessories				-	6.21
Generator				-	31.64
Static excitation system				-	4.22
Isolated phase bus ducts				-	7.82
Generator step- up transformers and power transformer				-	4.52
XLPE cables				-	2.51
Gas insulated switchgear				-	0.00
Outdoor switchyard equipment				-	5.33
D.C. System				-	2.38
Control, monitoring system				-	11.74
Protection system				-	7.18
Cabling system				-	0.35
11kv switchgear system				-	1.54
D.G. Sets				-	2.19
415 v switchgear and auxiliary transformers				-	4.75
Power line carrier communication system				-	0.10
Illumination system				-	2.27
Communication system				-	1.57

Name / Category of the Machinery(ies)	Name of the Supplier (s)	Date of Placement of Order (Contract agreement date)	Date of Supply(ies)	Cost Of Machinery(ies)	
				In Forex	
				In EURO	In Rs. crore
Electrical workshop				-	0.11
EOT crane				-	2.40
Cooling water system				-	0.25
Drainage and dewatering system				-	2.55
Heating, ventilation and air conditioning system				-	0.29
Grounding system				-	2.21
Compressed air system				-	0.67
Fire fighting system				-	2.25
Oil filteration plant (lubricating oil)				-	0.39
Oil filteration plant-insulating oil				-	0.00
Mechanical workshop				-	1.69
Elevator				-	0.99
Cost of deviations				-	3.16
Cost of the machinery(ies) (inr) for items on cost + 10% basis				-	87.65
SUB-TOTAL (A)				-	**230.63**
HYDRO-MECHANICAL					
Spillway radial gates and hydraulic hoists	PES Engineers PVT LTD., Hyderabad	August 6, 2008	In progress	3,23,400.00	10.33
Spillway stop logs and gantry crane				-	1.71
Intake trash racks				-	1.11
Intake fixed wheel gates and rope drum hoists				-	1.30
Intake bulkhead gates and rope drum hoists				-	1.58
Surge shaft gates and rope drum hoists				-	1.45
Draft tube gates and gantry crane				-	1.62
Pressure shaft liner				-	5.39
Adit inspection gates (manually operated)				-	0.49
Instrumentation and remote control system				-	1.04
Mandatory tools and tackles				-	0.04
SUB-TOTAL (B)				**3,23,400.00**	**26.04**
TOTAL (A+B)				**3,23,400.00**	**256.67**

7. Teesta Low Dam IV Hydroelectric Project, Darjeeling District, West Bengal

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies) In Forex In EURO	Cost Of Machinery(ies) In Rs. Crore
ELECTRO-MECHANICAL					
Turbine and accessories	M/s BHEL	June 1, 2007	In progress	-	74.40
General information and requirements	M/s BHEL	June 1, 2007	In progress	-	0.36
Governing system and accessories (digital type)	M/s BHEL	June 1, 2007	In progress	-	8.63
Generator	M/s BHEL	June 1, 2007	In progress	-	49.80
Static excitation system	M/s BHEL	June 1, 2007	In progress	-	3.06
Isolated phase bus ducts	M/s BHEL	June 1, 2007	In progress	-	5.71
Generator step-up transformers	M/s BHEL	June 1, 2007	In progress	-	10.53
Outdoor conventional switchyard	M/s BHEL	June 1, 2007	In progress	-	17.91
DC system	M/s BHEL	June 1, 2007	In progress	-	1.94
Control monitoring system	M/s BHEL	June 1, 2007	In progress	-	14.66
Protection system	M/s BHEL	June 1, 2007	In progress	-	6.93
Cabling system	M/s BHEL	June 1, 2007	In progress	-	6.43
11 kv switchgear	M/s BHEL	June 1, 2007	In progress	-	0.58
Silent D.G. sets	M/s BHEL	June 1, 2007	In progress	-	1.64
415 v switchgear and auxiliary transformers	M/s BHEL	June 1, 2007	In progress	-	6.46
Power line carrier communication system	M/s BHEL	June 1, 2007	In progress	-	1.60
Illumination system	M/s BHEL	June 1, 2007	In progress	-	3.65
Communication system	M/s BHEL	June 1, 2007	In progress	-	1.07
ELECTRICAL WORKSHOP	M/s BHEL	June 1, 2007	In progress	-	2.53
EOT crane	M/s BHEL	June 1, 2007	In progress	-	7.13
Cooling water system	M/s BHEL	June 1, 2007	In progress	-	4.16
Drainage dewatering system	M/s BHEL	June 1, 2007	In progress	-	0.00
Drainage system	M/s BHEL	June 1, 2007	In progress	-	1.71
Dewatering system	M/s BHEL	June 1, 2007	In progress	-	1.82
Ventilation and air conditioning system	M/s BHEL	June 1, 2007	In progress	-	5.74
Grounding system	M/s BHEL	June 1, 2007	In progress	-	1.54
Compressed air system	M/s BHEL	June 1, 2007	In progress	-	0.71
Fire fighting system	M/s BHEL	June 1, 2007	In progress	-	2.61

Name / Category of the Machinery(ies)	Name of the Supplier(s)	Date of Placement of Order (Contract agreement date)	Date of Supply (ies)	Cost Of Machinery(ies)	
				In Forex	
				In EURO	In Rs. Crore
Oil filteration plant				-	0.00
Oil filteration plant-insulating oil				-	1.35
Oil filteration plant-lubricating oil				-	0.69
Mechanical workshop equipment				-	1.65
Elevator				-	0.57
SUB-TOTAL (A)				**-**	**247.58**
HYDRO-MECHANICAL					
Spillway radial gates and hydraulic hoists	OM Metals-SPML (JV), New Delhi	June 5,2007	In progress	31,16,260.00	36.15
Spillway stop logs and gantry crane (common for spillway stoplog and Intake stoplog)				-	5.47
Intake trash racks				-	2.38
Penstock intake gates and hydraulic hoists (quick acting)				1,72,500.00	3.47
Penstock Intake stop logs				-	0.99
Fish ladder gates and manually operated Screw hoist				-	0.23
Trash screen cum bulkhead gates and chain pulley block				-	0.18
Silt excluder gates and hydraulic hoists				68,000.00	0.96
Silt excluder conduit liner				-	0.65
Draft tube gates and gantry crane				-	7.21
Pressure shaft liner				-	9.35
Instrumentation and remote control system				-	1.65
Diesel generating set (capacity 312.5kVA)				-	0.37
Mandatory tools and tackles				-	0.06
SUB-TOTAL (B)				**33,56,760.00**	**69.122**
TOTAL (A+B)				**33,56,760.00**	**316.70**

We confirm that no second hand machinery is proposed to be purchased from the Net Proceeds of the Fresh Issue.

Implementation schedule

The Identified Projects are at varying stages of implementation. Hence, we have not yet awarded certain packages for the Identified Projects including those related to certain civil, electro-mechanical and hydroelectrical works. Upon finalisation, we will award such contract packages through a competitive bidding process.

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

S. No.	Identified Project	Activity	Present Status / Estimated date of commencement	Estimated date of completion	Revised date of completion
		Commissioning of the project	February 2011		February 2011
7	Teesta Low Dam – IV	Land Acquisition	Completed		
		Civil works	Already commenced	January 2010	April 2011
		Electromechanical works	Already commenced	August 2010	August 2011
		Hydromechanical works	Already commenced	March 2010	April 2011
		Commissioning of the project	August 2010		August 2011

Deployment Schedule

(Rs. in crore)

				Estimated Expenditure to be incurred**		
S. No.	**Name of Identified Project**	**Approved Cost (as per CCEA)**	**Amount deployed as of June 30, 2009***	**During July 1, 2009 – March 31, 2010**	**Fiscal 2011**	**Fiscal 2012 and onwards**
1.	Subansiri Lower	6,285.33	3,170.58	831.00	1,000.00	1,283.75
2.	Uri-II	1,724.79	838.88	339.99	370	175.92
3.	Chamera-III	1,405.63	867.91	290.20	247.52	0
4.	Parbati-III	2,304.56	755.49	397.68	1151.39	0
5.	Nimoo Bazgo	611.01	286.64	149.31	175.06	0
6.	Chutak	621.26	262.13	97.57	261.56	0
7.	Teesta Low Dam IV	1,061.38	517.08	296.62	247.68	0
	Total	**14,013.96**	**6,698.71**	**2,402.37**	**3,453.21**	**1,459.67**

**As certified by GSA & Associates, Chartered Accountants vide their certificate dated July 17, 2009*

***Estimated expenditure is based on CCEA approved cost*

Appraisal of the Identified Projects

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

(b) Issue expenses

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

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]

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

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

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

(c) General Corporate Purposes

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

Working Capital Requirement

The Net Proceeds of the Fresh Issue are intended to be used for the purpose of project financing of the Identified Projects. The requirement of working capital will arise only when these projects commence commercial operations. As and when such working capital requirements arise, we will meet such requirements out of arrangements with various lenders as well as through internal accruals.

Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received by us from the Fresh Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds from the Fresh Issue in interest bearing liquid instruments including investments in mutual funds, as approved by the DPE and deposits with banks, for the necessary duration. Such investments would be in accordance with the investment policies approved by our Board of Directors from time to time.

Monitoring of Utilisation of Funds

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

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

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

We confirm that none of the Issue Proceeds will be used to fund existing or future participation, investment or activities in Myanmar or any other countries or persons that are subject to economic sanctions imposed by the U.S. government and administered by the U.S. Export Administration Regulation and Office of Foreign Assets Control of the U.S. Department of the Treasury or that are subject to EU legislation.

BASIS FOR ISSUE PRICE

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

Qualitative Factors

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

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

For further details, see "***Our Business - Competitive Strengths***" on page 88.

Quantitative Factors

The information presented below relating to the Company is based on the Restated Unconsolidated Financial Statements for Fiscals 2007, 2008 and 2009 and Restated Consolidated Financial Statements for Fiscals 2007, 2008 and 2009 prepared in accordance with Indian GAAP. For details, see "***Auditor's Report - Restated Unconsolidated Financial Statements"*** and "***Auditor's Report - Restated Consolidated Financial Statements*** on pages 174 and 207, respectively.

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

Information presented in this section is derived from our Restated Consolidated and Unconsolidated Financial Statements prepared in accordance with Indian GAAP.

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

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

As per our Restated Unconsolidated Financial Statements:

Year ended	EPS (in Rs.)	Weight
March 31, 2007	0.85	1
March 31, 2008	0.91	2
March 31, 2009	0.98	3
Weighted Average	0.94	

As per our Restated Consolidated Financial Statements:

Year ended	EPS (in Rs.)	Weight
March 31, 2007	0.97	1
March 31, 2008	1.04	2

Year ended	EPS (in Rs.)	Weight
March 31, 2009	1.08	3
Weighted Average	1.05	

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

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

a. P/E based on EPS as per our Restated Unconsolidated Financial Statements for year ended March 31, 2009 is [●]
b. P/E based on EPS as per our Restated Consolidated Financial Statements for year ended March 31, 2009 is [●]
c. Industry P/E

(i) Highest: 65.9
(ii) Lowest: 8.6
(iii) Peer Group Average: 20.8

Source: Capital Market, Volume XXIV/10 July 13 – July 26, 2009 (Industry – Power Generation and Supply)

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

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

Return on Net Worth ("**RoNW**") as per our Restated Unconsolidated Financial Statements:

Year ended	RoNW (%)	Weight
March 31, 2007	5.63	1
March 31, 2008	5.93	2
March 31, 2009	6.14	3
Weighted Average	5.99	

RoNW as per our Restated Consolidated Financial Statements:

Year ended	RoNW (%)	Weight
March 31, 2007	6.29	1
March 31, 2008	6.62	2
March 31, 2009	6.58	3
Weighted Average	6.55	

Note: *The RoNW has been computed by dividing Profit after Tax by Net Worth. The weighted average of RoNW (%) and adjusted RoNW (%) for these Fiscals have been computed by giving weights of 1, 2 and 3 for Fiscal years ending March 31, 2007, 2008 and 2009 respectively.*

4. Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2009:

Based on Restated Unconsolidated Financial Statements:
a. At the Floor Price – 5.68%
b. At the Cap Price – 5.51%

Based on Restated Consolidated Financial Statements:

a. At the Floor Price – 6.11%
b. At the Cap Price – 5.93%

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

a. As of March 31, 2009, as per our Restated Unconsolidated Financial Statements is Rs. 15.98
b. As of March 31, 2009, as per our Restated Consolidated Financial Statements is Rs. 16.45
c. After the Issue, as per our Restated Unconsolidated Financial Statements: [●]
d. After the Issue, as per our Restated Consolidated Financial Statements: [●]
e. Issue Price: Rs. [●]*

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

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

6. Comparison with Industry Peers:

Name of the Company	Face Value (Rs.)	E.P.S (Rs.) TTM*	Book Value (Rs.) as on March 31, 2009	RONW (%) for Fiscal 2009	P/E Multiple as on July 6, 2009
CESC	10	32.0	271.5	12.9	8.6
Jai Prakash Hydro	10	3.0	21.9	15.8	28.2
KSK Energy	10	3.0	14.6	3.3	65.9
NTPC	10	9.9	69.6	14.4	19.6
Reliance Power	10	1.0	57.5	1.1	-
Tata Power Co.	10	32.1	366.6	8.1	34.3
Neyveli Lignite	10	8.1	56.4	12.7	15.2
NHPC (on consolidated basis)	10	1.08	16.45	6.58	[●]

** TTM – Trailing Twelve Months ended March 2009*

Capital Market, Volume XXIV/10 July 13 – July 26, 2009 (Industry – Power Generation and Supply)

The Issue Price of Rs. [●] has been determined by our Company and the Selling Shareholder in consultation with the BRLMs and on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "***Risk Factors***" and "***Financial Statements***" on pages xiii and 174, respectively, to have a more informed view. The trading price of the Equity Shares of the Company could decline due to the factors mentioned in ***"Risk Factors"*** and you may lose all or part of your investments.

STATEMENT OF TAX BENEFITS

To

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

Dear Sirs,

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

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

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

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

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

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

For GSA & Associates
Chartered Accountants

(Sunil Aggarwal)
Partner
Membership No. 83899

Place: Faridabad
Dated: June 22, 2009

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

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon the fulfilling such conditions.

I SPECIAL TAX BENEFITS

A) TO THE COMPANY

A1. Under Central Sales Tax Act, 1956

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

A2. Under Customs Tariff

- In terms of Notification No. 21/ 2002-Cus. Dated 1-3-2002 as amended last by Notification No.21/2008-Cus. Dated 1-3-2008 under Customs Tariff of India, the goods required for setting up of any Mega Power Project are eligible to be imported at 'Nil' rate of Custom Duty subject to fulfillment of certain conditions. A Mega Hydel Power Project is an inter- state hydel power plant of a capacity of 350MW or more, located in the States of Jammu & Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura or an inter-state hydel power plant of a capacity of 500MW or more located in States other than those mentioned above.

- In terms of Notification No. 21/2002-Cus. Dated 1.3.2002 as amended last by Notification No. 21/2008-Cus. Dated 1-3-2008 under Customs Tariff of India, the Power Generating Companies are eligible to import goods required for power generation project including gas turbine power projects (excluding captive power plants set up by projects engaged in activities other than in power generation) at concessional rate of 5% 'Basic Custom Duty' under Chapter 98 (Project Imports).

A3. Under Exim Policy

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

B) To the Members of the Company
There are no special tax benefits available to the members of the Company.

II GENERAL TAX BENEFITS

A) To the Company

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

- In accordance with and subject to the condition specified in Section 8O-IA of the IT Act, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or transmission or distribution of power for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generates power or commences transmission or distribution of power if it begins to generate power at any time during the period beginning on the 1st day of April,1993 and ending on the 31st day of March, 2010.

- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

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

- While calculating dividend distribution tax as per provisions of Section 115-O, the reduction shall be allowed in respect of the dividend received by a domestic company from a subsidiary company during the financial year provided the subsidiary company has paid tax on such dividend and the domestic company is not a subsidiary of any other company. It is further provided that same amount of dividend shall not be taken into for reduction more than once. For this purpose a company shall be subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of another company.

- By virtue of Section 10(15) (i) of the IT Act interest income earned from 8.5% SLR Power Bonds and Long Term Advances of Delhi Government are exempt from tax in the hands of the Company

A2. Under Central Sales Tax Act, 1956

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

B. To the Members of the Company

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

1. All Members

- By virtue of Section 10(38) inserted by Finance (No. 2) Act, 2004, income arising from transfer of long-term capital asset, being an equity share in the Company is exempt from tax, if the transaction of such sale has been entered into on or after 1.10.2004 and such transaction is chargeable to the Securities Transaction Tax. However, long-term capital gain of a shareholder being a company shall be taken into account in computing the book profit and income tax payable under section 115JB (MAT).

- By virtue of Section 36 (1) (xv) inserted by the Finance Act, 2008 deduction shall be allowed while computing business income of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head "Profit and gains of business or profession."

- By virtue of Section 111A of the IT Act, capital gain arising from transfer of short term capital assets, being an equity share in the company which is subject to Securities Transaction Tax, will be chargeable to tax @ 15% (plus applicable surcharge and education cess).

2. Resident Members

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

- As per the provisions of Section 112 of the IT Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48. However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefits exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakh within a period of 6 months from the date of transfer in "long term specified asset". If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said "long term specified asset" is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The "long term specified asset" specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).

- As per the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the Act shall not be chargeable to tax if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential house, other than the new asset, on the date of the transfer of original asset. If the cost of residential house property is less than net consideration then exemption shall be proportionally reduced.

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

3. Non Resident Indians/Members other than FIIs and Foreign Venture Capital investors

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

Tax on Investment Income and Long Term Capital Gain

- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the IT Act, viz. "Special Provisions Relating to certain Incomes of Non-Residents". Under Section 115E of the IT Act, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(38) of the Act) be 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 provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident . Thus, a Non Resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

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

- Under provisions of Section 115F of the IT Act, long term capital gains (not covered under Section 10(38) of the Act) arising to a non resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

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

Other Provisions

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

- Under the first proviso to Section 48 of the IT Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- As per the provisions of Section 112 of the IT Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48. However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefits exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakh within a period of 6 months from the date of transfer in "long term specified asset". If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said "long term specified asset" is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The "long term specified asset" specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).

- As per the provisions of Section 54F of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company to an individual or Hindu Undivided Family (HUF) and not exempt under section 10(38) of the Act shall not be chargeable to tax if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual or HUF should not own more than one residential house, other than the new asset, on the date of the transfer of original asset. If the cost of residential house property is less than net consideration then exemption shall be proportionally reduced.

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

4. Foreign Institutional Investors (FIIs)

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

- The income by way of short term capital gains or long term capital gains (not covered under Section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the IT Act.
  * Short term capital gains - 30% (plus applicable surcharge and education cess)
  * Long term capital gains - 10% (plus applicable surcharge and education cess). However, benefits of indexation or the adjustment in respect of foreign exchange fluctuation as provided by Section 48 of the Act are not available to an FII.
  (shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

- As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, Long term capital gains arising on transfer of shares in the Company and not exempt under section 10(38) of the Act shall not be chargeable to tax if the capital gains are invested upto Rs. 50 Lakh within a period of 6 months from the date of transfer in "long term specified asset". If only part of the capital gains is so invested, the exemption shall be proportionately reduced. However, if the said "long term specified asset" is transferred or converted into money within a period of three years from the date of its acquisition the amount of capital gains exempted earlier would become chargeable to tax in such year. The "long term specified asset" specified for this section is bond redeemable after three years issued by the National Highway Authority of India (NHAI) or by the Rural Electrification Corporation (REC).

- As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FIIs. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. Venture Capital Companies / Funds

In terms of Section 10 (23FB) of the IT Act, all Venture Capital Companies / Funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

6. Mutual Funds

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

B. 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.

C. Under the Gift Tax Act, 1958

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

Notes

- All the above benefits are as per the current tax law as amended by the Finance Act, 2008 and will be available only to the sole/first named holder in case the shares are held by joint holders.

- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has Fiscal domicile.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.
- The above statement of possible direct and indirect taxes benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

SECTION IV- ABOUT US

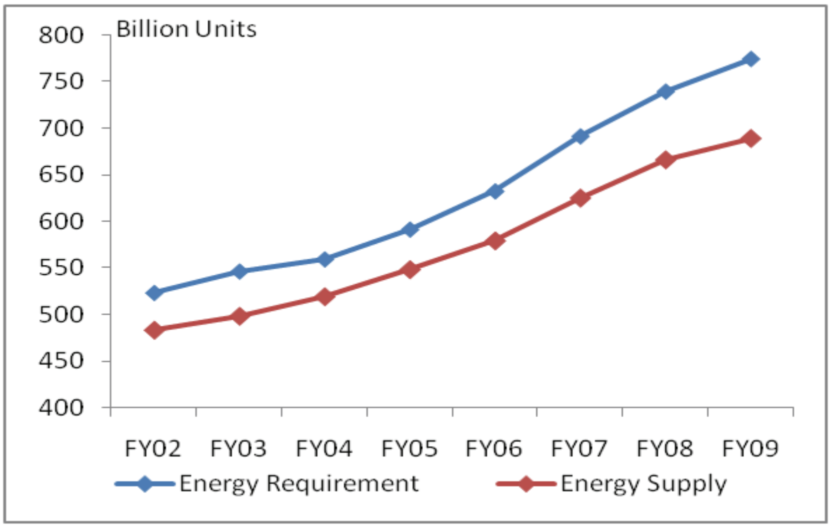
INDUSTRY OVERVIEW

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

Overview

The power industry in India has historically been characterised by energy shortages with demand for electricity far exceeding the supply. The continued growth of the Indian economy has accelerated the need for further investments in the power sector. The GoI has identified the power sector as a focus sector to sustain industrial growth. According to a CEA report titled *Power Scenario at a Glance*, *May 2009,* in Fiscal 2009, demand for electricity exceeded supply by 11% (compared to 9.90% in Fiscal 2008). The total energy shortage during this period was 85,303 million units. Similarly, India's peak demand deficit during this period was 12% or 13,124 MW.

The following graph shows the gap between demand for and supply of energy in India from Fiscal 2002 to Fiscal 2009:



Source: CEA, Power Scenario at a Glance, May 2009

It is anticipated that by the year 2012, India's peak demand will be 152,746 MW with total energy requirements of 969 billion units.

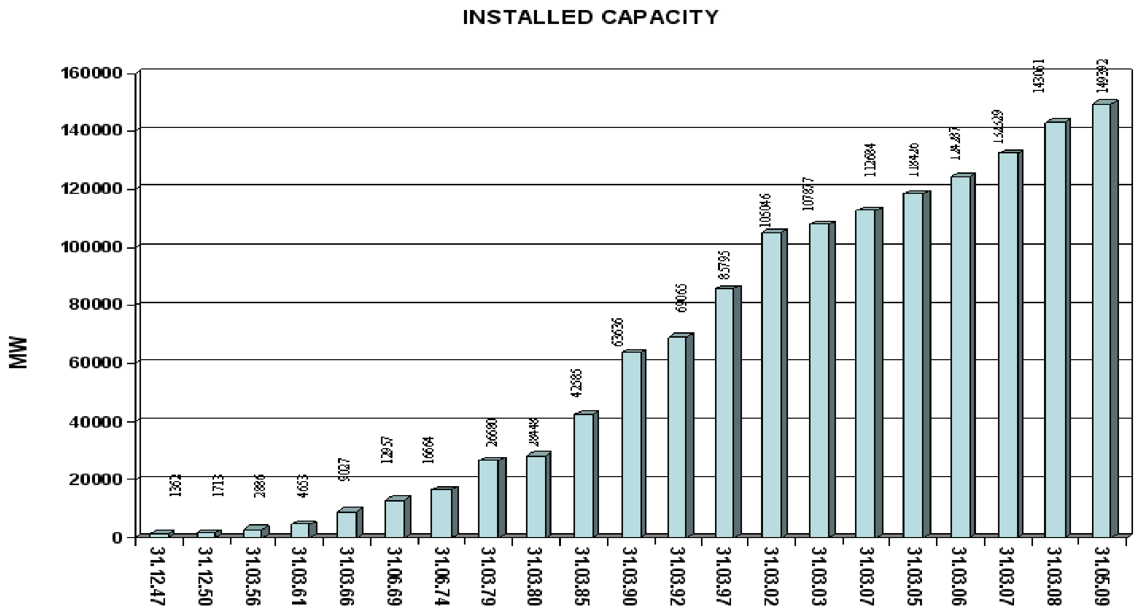
Indian Electricity Demand

Demand for energy grows in tandem with the growth of the economy. This can be seen from the following table, which shows the growth in real Gross Domestic Product ("**GDP**") from FY03 to FY09 and the growth in demand for energy in the same period.

	Real GDP growth	Growth in demand for energy
FY03	3.84%	4.40%
FY04	8.52%	2.38%
FY05	7.47%	5.72%
FY06	9.52%	6.94%
FY07	9.75%	9.34%
FY08	9.01%	6.95%
FY09	6.70%	4.74%

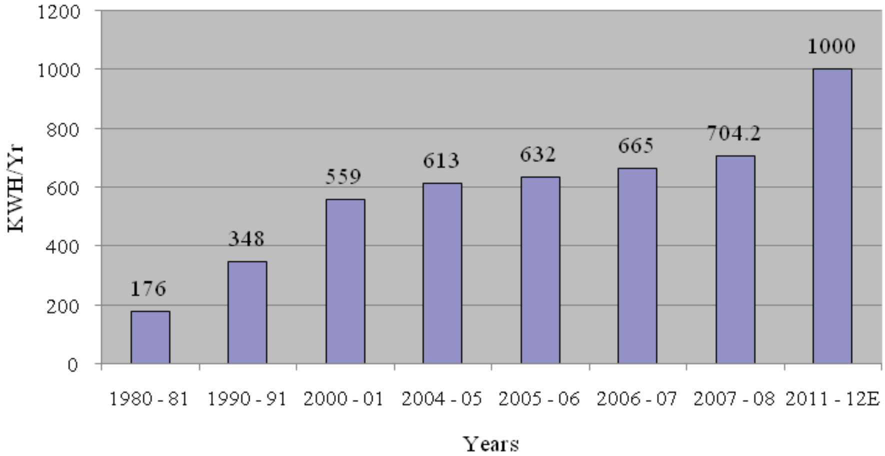
Source: CEA, Power Scenario at a Glance, May 2009 and *Annual and Quarterly Estimates of GDP at Current Prices, Base Year 1999-2000, MOSPI*

Since independence, there has been a sizeable growth in the power sector as at the time of independence the generating capacity in the country was only 1,362 MW which has since increased to 149,392 MW as on May 31, 2009 (*Source: Monthly Review of the Power Sector, (Executive Summary) CEA, May 2009*). According to Hydro Power Policy 2008 and CEA Monthly Generation Report for March 2009, annual generation has grown from about 5 billion units since independence to 723.80 billion units during Fiscal 2009. The following graph presents the growth of installed capacity generation in India since independence:



Source: Hydro Power Policy, MoP, 2008 and *Monthly Review of the Power Sector, (Executive Summary), CEA, May 2009*

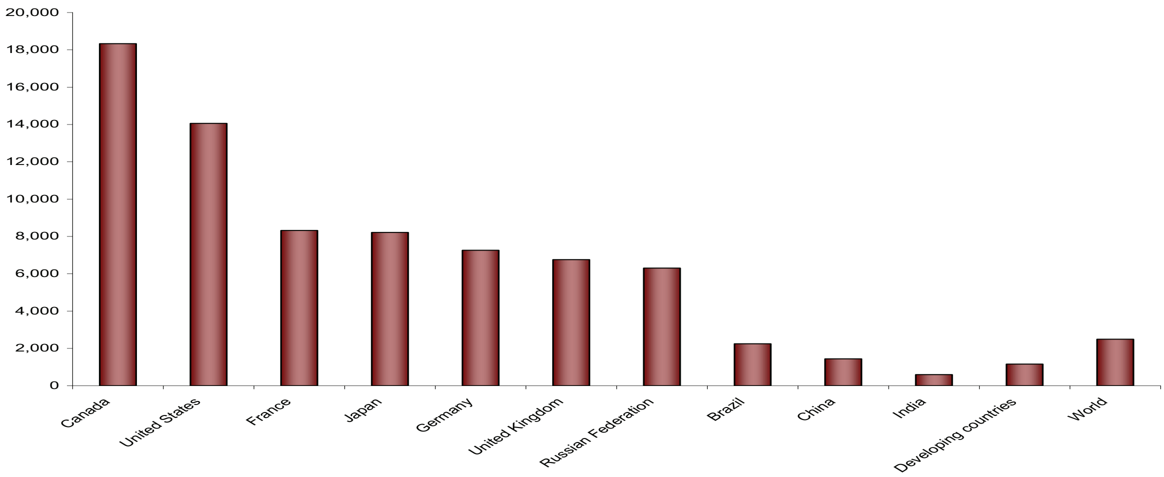
Despite the rapid increase in population over this period of time, the per capita consumption has increased from a mere 15 kWh/Year in Fiscal 1950 to 632 kWh/Year in Fiscal 2006 and to 704.2 kWh/Year in Fiscal 2008, and is expected to be 1,000 kWh/Year by Fiscal 2012. The following graph depicts the per capita consumption of electricity in India since Fiscal 1981:



Source: Hydro Power Policy, MoP, 2008 and Monthly Review of the Power Sector, (Executive Summary), CEA, May 2009

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

Chart: Per Capita Electricity Consumption across the World



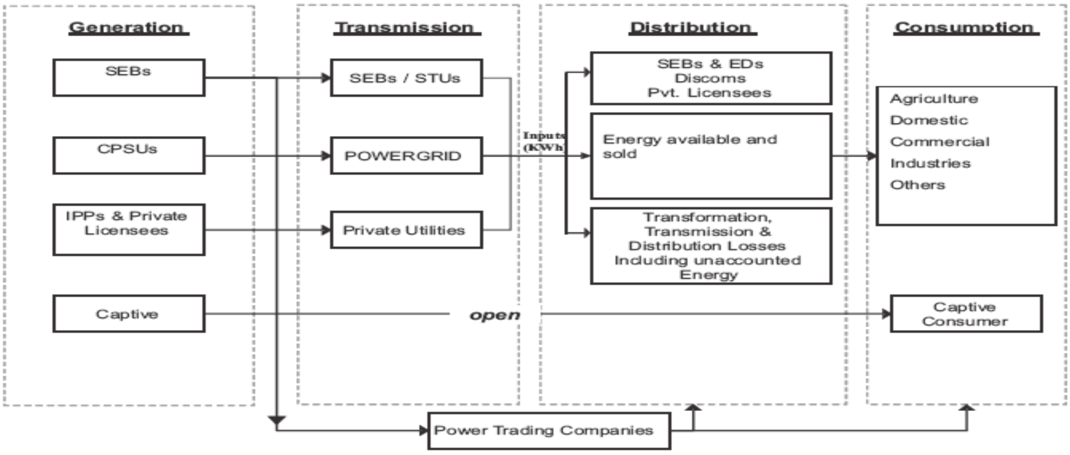
Source: UNDP, Human Development Indicators, 2006

According to the CEA *Monthly Review of the Power Sector*, as of May 31, 2009 India had an installed generation capacity of approximately 149,392 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 63.69% hydroelectric power stations accounted for approximately 24.69% nuclear power plants accounted for approximately 2.76% and renewable energy sources accounted for approximately 8.86% of the total power capacity.

Despite the fact that according to the Hydro Power Policy 2008, India is the sixth largest country in terms of power generation, the overall electricity shortages in India continue to be a major concern. The peaking shortages were about 12% for Fiscal 2009, on an all India basis. According to the CEA report titled *Power Scenario at a Glance*, the energy shortages in Fiscals 2006, 2007 and 2008 were 12.30%, 13.80% and 16.60% of peak demand requirements, respectively.

Structure of the Indian power sector

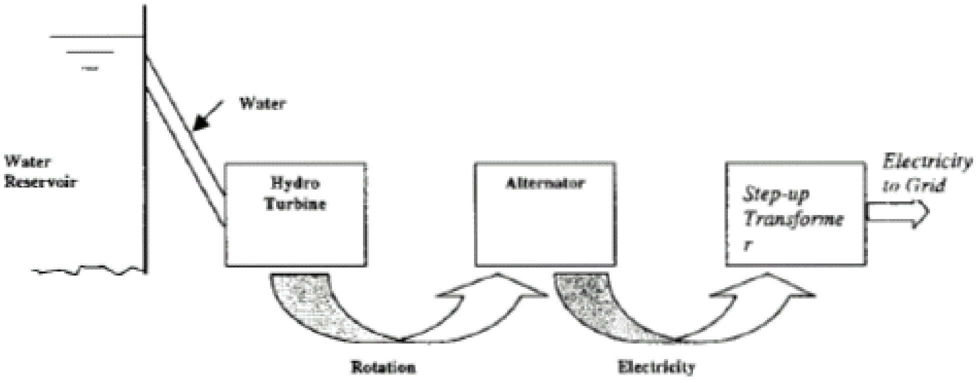
The following diagram depicts the structure of the Indian power industry for generation, transmission and distribution and consumption:



Hydroelectricity

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

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



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

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

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

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

- Run-of-the-river **("RoR")** schemes: In this type of scheme, electricity is generated from the water flow of a river or other moving water source. This type of project generally has no reservoir to store water inflow from the catchment area. Storage ponds can be constructed to divert water in a run-of-the-river scheme. However these storage ponds do not have an impact on the flow of the water source. Storage ponds on run-of-the-river schemes ("**pondage schemes**") are used to mitigate the impact of short-term variations in the water flow.
- Storage schemes: These schemes include a reservoir where seasonal surplus of water in excess of demand is stored for generating electricity in seasons of lower flows when demand exceeds inflow. In a storage scheme there is much greater flexibility for modulation of inflows. It can have annual or even carry-over capacity from one year to the next.
- Tidal Plant schemes: In a tidal plant scheme, power is generated by virtue of the daily differences in tidal levels. The tidal range, or amplitude, is given by the difference between the high tide level and the subsequent low tide level. The tidal range is not constant even at one site but fluctuates to a smaller or larger extent around a local mean value depending on geographical position.
- Pumped Storage schemes: In these schemes, water generates power during peak demand, while the same water is pumped back in the reservoir during lean demand period. A pumped storage plant operates on the principle that the same machines are used for generation of power during peak hours when power is given to the network and for pumping back water into the reservoir during off peak hours, utilising power from the system. The provision is based on economics of operation and the availability of enough spare capacity in the grid to operate the machines as pumps in the low load period.

Hydropower Potential in India

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

The estimated hydropower potential and probable installed capacities of the major Indian river systems are given below:

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

Source: Hydro Power Policy, MoP, 2008

The installed hydropower generating capacity including pumped storage schemes in the country is 36,878 MW (as on May 31, 2009). This capacity does not include small hydropower capacity of 1,168 MW in respect of hydropower plants having installed generating capacity up to 25 MW. These small scale hydropower generators have been classified as Renewable Energy Sources **("RES")** (along with wind energy and biomass energy generation) in Fiscal 2009.

As of May 31, 2009 the total installed capacity in the country was 149,392 MW and hydropower accounts for 36,878 MW (24.7%) as shown below:

Table: Share of Hydropower in Total Power Generation in India, as of May 31, 2009

Type of Station	Installed Capacity	Percentage Share
Hydro Power	36878	24.69
Thermal	95152	63.69
Nuclear	4120	2.76
R.E.S	13242	8.86
Total	**149,392**	**100.00**

Source: Monthly Review of the Power Sector, (Executive Summary), CEA, May 2009.

Plan Wise Growth and Share of Hydropower

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

Despite the benefits of hydroelectric projects, hydropower's share of the Indian market for power has steadily declined. At the end of First Five Year Plan (1951-56), hydropower constituted 37% of the total installed capacity in the power sector, and rose to more than 45% by 1963. Until the late 1970s, hydropower continued to represent more than 40% of India's power supply, which is considered to be the ideal hydro-thermal generation mix for meeting demand in an efficient manner. However, in the 1980s, hydropower's share began declining sharply and in Fiscal 2009 hydropower constituted only about 25% of the overall installed capacity of the country. The table below illustrates the trend from the First Five Year Plan starting in 1951 to the ongoing 11th Five Year Plan.

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

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

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

Sources: Hydro Power Policy, MoP, 2008 and *Monthly Review of the Power Sector, (Executive Summary), CEA, May 2009*

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

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

Table: Plan wise Hydropower Capacity Targets and Achievements

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

Source: Hydro Power Policy, MoP, 2008

To meet the energy requirements of 1,038 billion units and a peak load of 152,746 MW with a 5% spinning reserve, a total capacity addition of about 82,500 MW is required during the 11th Plan, according to the Hydro power policy, 2008, of which 12,716.70 MW have already been commissioned as on March 31, 2009 with hydropower contributing 26.67% of the commissioned units. However, a capacity addition of 78,700.4 MW comprising 36,874.0 MW (46.85%) in central sector, 26,783.4 MW (34.03%) in the state sector and 15,043.0 MW (19.11%) in the private sector has been proposed during the 11th Plan. Out of this, a capacity of 15,627 MW is proposed to be added from hydropower projects comprising 8,654 MW (55.38%) in central sector, 3,482 MW (22.28%) in state sector and 3,491 MW (22.34%) in the private sector. The details of the capacity addition, sector-wise, are as under:

Table: Summary of Targetted Capacity Addition during the 11th Plan

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

Source: CEA, Power Scenario at a Glance, May 2009.

The proposed hydropower capacity addition during the 11th plan is 15,627 MW. Out of this, 3,392 MW capacity has already been commissioned and 12,235 MW is under construction as on May 31, 2009.

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

Other Policy Initiatives for Increasing the Hydropower Capacity in India

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

The CEA estimated the hydropower potential of the country at about 150,000 MW in its reassessment carried out from 1978 - 87. *(Source: Hydro power policy, 2008)* The hydropower installed capacity at the end of the Tenth Five Year Plan was 34,653.77 MW. Anticipated hydropower capacity addition during the 11th, 12th, 13th, and 14th Five Year Plans is projected below:

Plan Period	Hydropower Capacity Addition (MW)	Total Hydropower Capacity at the end of plan (MW)
11^{th} Plan (2007-08 to 2011-12)	15,627*	50,280*
12^{th} Plan (2012-13 to 2016-17)	30,000	80,280
13^{th} Plan (2017-18 to 2021-22)	31,000	111,280
14^{th} Plan (2022-23 to 2026-27)	36,494	147,774

Sources: Hydro Power Policy, MoP, 2008
** CEA, Power Scenario at a Glance, May 2009.*

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

Three-stage process for setting up hydropower projects

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

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

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

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

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

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

Revised Environment Impact Assessment rules

The MoEF issued a revised Environment Impact Assessment **("EIA")** Notification dated September 14, 2006, in an effort to speed up the process of getting environmental clearance in respect of hydroelectric projects. Under the revised notification, the MoEF grants the final environmental clearance after considering the environmental proposal, the EIA report and the public hearing report. For details, see ***"Regulations and Policies in India"*** on page 119.

Updated CERC regulations

Tariffs for each of our stations are determined by the CERC and may be revised during the term of the respective PPAs, depending on changes in tariff regulations issued by CERC. The new tariff policy has been issued by CERC vide notification no. L-7/145(160)/2008-CERC dated January 19, 2009 for the period 2009-14. The tariff structure prescribed by the CERC comprises a number of elements, including AFC, incentives and unscheduled interchange charges.

The AFC comprises energy charges and capacity charges and is determined by factors like return on equity, depreciation, interest on loan, interest on working capital and operation and maintenance expenses. From April 1, 2009, our tariffs have been based on the CERC's tariff regulations applicable for the period 2009 to 2014. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" on page 282.

Provisions for Mega Power Projects

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

Hydro Power Policy 2008

The Hydro Power Policy of 2008 lays emphasis on increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of IPP model besides promoting power trading and speeding up the availability of statutory clearances. For details, see ***"Regulations and Policies in India"*** on page 119.

Import Policy for Enhancing Hydropower Utilisation

India faces acute peak power shortages. To bridge this demand-supply gap, the GoI is considering a power import policy to regulate power imports from neighboring countries. According to estimates at the BIMSTEC workshop in October 2006, Bhutan, Nepal and Myanmar have a combined hydropower potential of about 140,000 MW, of which around 3,000 MW has been exploited as of December 31, 2007. India has provided financial and technological assistance to Nepal and Bhutan in the past and various hydroelectric projects have been completed in collaboration with India.

Apart from these measures, the GoI has introduced several initiatives through the Electricity Act, 2003, the National Water Policy, 2002, the National Electricity Policy, 2005, and the National Rehabilitation and Resettlement Policy, 2007, which seek to encourage hydropower development. For details, see ***"Regulations and Policies in India"*** on page 119.

OUR BUSINESS

Overview

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

We have developed and constructed 13 hydroelectric power stations and our current total installed capacity is 5,175 MW. Our current total generating capacity is 5,134.2 MW, which takes into account a downgrade of the capacity ratings of the Loktak and Tanakpur power stations by the CEA. This total installed capacity and total generating capacity includes two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company and our Subsidiary generated 16,582.72 MUs and 2,368.45 MUs of electricity, respectively, in Fiscal 2009. In Fiscal 2009, our Company and our Subsidiary sold 14,587.88 MUs and 2,345.01 MUs of electricity, respectively.

We are presently engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with state governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, we incorporated our Subsidiary on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada river basin. In addition, in September 2007 we signed an MoU with the government of Manipur to establish a joint venture to develop the Loktak Downstream hydroelectric project, and in June 2007 we entered into an MoA with the government of Arunachal Pradesh to implement the Dibang project on an own-and -operate basis. Further, on October 10, 2008 we signed an MoU with the JKSPDC, the government of Jammu & Kashmir and PTC to implement the Pakal Dul and other hydroelectric projects in the Chenab river basin with an anticipated aggregate installed capacity of approximately 2,100 MW. For further information, see "***History and Certain Corporate Matters***" on page 129.

We have experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis. We also provide contract-based technical, management advisory and consultancy services to domestic and international clients.

Based on our restated consolidated financial statements, in Fiscals 2007, 2008 and 2009, we generated total income of Rs. 2,579.95 crore, Rs. 3,321.63 crore and Rs. 4,051.52 crore, respectively, and net profit of Rs. 1,049.10 crore, Rs. 1,207.04 crore and Rs. 1,244.15 crore, respectively. In Fiscal 2009, our average selling price of electricity was Rs. 2.03 per unit. In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for our Company for Fiscals 2007, 2008 and 2009 were 94.11%, 96.13% and 93.61% respectively. These indices are higher than the cumulative capacity index levels, which is required under CERC regulations and our higher efficiency parameters, which pursuant to the tariff policy in place for Fiscal 2005-Fiscal 2009 entitled us to certain incentive payments.

We have obtained BS OHSAS 18001:2007, ISO 9001:2000, ISO 14001:2004 and PAS 99: 2006 certifications from the BSI Management Systems, all of which are valid until July 25, 2011. In recognition of our performance and our consistent achievement of targets as negotiated under the MoUs that we enter into with the GoI on an annual basis, the GoI has rated our performance as "Excellent" from Fiscal 1995 through to Fiscal 2006, "Very Good" in Fiscal 2007 and "Excellent" in Fiscal 2008. Also, in recognition of our performance, we were designated as a Mini-Ratna Category-I public sector undertaking in April 2008. As a Mini-Ratna Category-I entity, we will have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI.

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

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Established track record in implementing hydroelectric projects

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

Long term power purchase agreements with our customers

As of March 31, 2009, most of the output from our installed capacity was contracted for through long term PPAs. At the time we make investment decisions on new capacity or expansion of existing capacity, we typically have commitments for the purchase of the output.

In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements. These billings to state entities are currently secured through letters of credit generally entered into pursuant to tripartite agreements among the GoI, the RBI and respective state governments. In addition, we can secure payment by regulating the power supply to the defaulting entity or recovering payments directly from GoI Central Plan assistance funds that are given to the concerned state governments.

Strong operating performance

We measure our efficiency by reference to our average capacity index and generation targets achieved. In Fiscal 2009, our Company generated a total of 16,582.72 MUs of electricity and our Company's cumulative capacity index was 93.61%, which is higher than the cumulative capacity index levels required under CERC regulations and our higher efficiency parameters, which pursuant to the tariff policy in place for Fiscal 2005-Fiscal 2009, entitled us to certain incentive payments. We monitor, renovate and modernise our power stations, which increases the efficiency of our plants and equipment. We believe that our ongoing monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Competent and committed workforce

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

Strong in-house design and engineering team

We have an in-house team for project design and our engineering capabilities range from the concept stage to the commissioning of our projects. This team is supported by international and domestic project consultants. As of July 20, 2009, our Company had approximately 1,185 in-house engineers with expertise in a range of engineering disciplines, particularly hydrology, electrical, civil and structural design, hydro-mechanical and geotechnical design. Our engineers have specialised tunnel design experience and are able to design for variable and unpredictable geological conditions. Our engineers also have experience with a variety of specialised analysis, design and computer aided design software applications.

Our Strategy

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

Expand our installed capacity through Joint Ventures and MoUs

We seek to expand our installed capacity by tapping into new geographic markets where there is significant demand for capacity expansion through hydroelectric generation. Presently we are engaged in the construction of 11 hydroelectric projects in the states of Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Assam and West Bengal, which is expected to increase our total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.

We selectively form alliances with state governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, we incorporated our Subsidiary on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada river basin. In addition, in

September 2007 we signed an MoU with the government of Manipur to establish a joint venture to develop the Loktak Downstream hydroelectric project, and in June 2007 we entered into an MoA with the government of Arunachal Pradesh to implement the Dibang project. Further, on October 10, 2008 we signed an MoU with JKSPDC, the government of Jammu & Kashmir and PTC to implement the Pakal Dul and other hydroelectric projects with an anticipated aggregate installed capacity of approximately 2,100 MW in the Chenab river basin.

In addition, we seek to expand our installed capacity and diversify our generation mix by undertaking non-hydropower projects. NHDC has recently received a mandate from the Madhya Pradesh government to build a 1,000 MW thermal power plant at Khandwa in Madhya Pradesh pursuant to which NHDC has signed a MoU with the Government of Madhya Pradesh on June 29, 2009 for setting up a thermal power plant. The generation capacity of the thermal power plant is estimated at 1,320 MW.

Promote and develop our consulting and advisory services

We aim to continue to deliver advisory services to clients and government entities in India and abroad. Our consultancy services are registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission. Historically, we have undertaken international projects and consultancy assignments on an agency basis, often on the request of the GoI. However, going forward, we intend to promote our consultancy services and take advantage of opportunities emerging from changes in the industry due to the enactment of the Electricity Act, 2003, the Hydro Power Policy 2008, and other regulatory developments.

Continue to expand our international activities

We executed the Kurichhu hydropower project in Bhutan and the Devighat hydropower project in Nepal on a contract agency basis. In addition, we prepared and submitted a DPR to the Department of Energy, Royal Government of Bhutan, for a 720 MW hydropower project in Mangdecchu in Bhutan. We are also in the process of preparing a DPR for the Chamkarchhu-I hydropower project (670 MW) and Kuri Gongri hydropower project (1,800 MW) in Bhutan. Further, we signed an MoU on September 16, 2008 with the Department of Hydro Power Implementation of the Ministry of Electric Power, Union of Myanmar relating to a study of a master plan for hydropower development of the Chindwin river basin and the review of the DPRs for the Tamanthi hydroelectric project (1,200 MW) and the Shwzaye hydroelectric project (642 MW). Project review reports for these two projects were submitted to the government of Myanmar in December 2008. We intend to continue to expand our international operations and further exploit the potential hydropower opportunities available internationally by leveraging our existing relationships developed through our past international consultancy assignments.

Maintain our focus in environmental and corporate social responsibility

We have undertaken a number of environmental and corporate social responsibility initiatives and intend to expand our involvement in these areas. We aim to conduct our business operations in a manner that promotes social responsibility, sustainable development and respect towards the environment. We also believe that we support initiatives to advance the economic, cultural and social interests of the communities of the areas in which we operate and contribute to their further development. We are a member of the Global Compact Society, formed and registered in 2003 by certain Indian companies and organisations that had participated in the United Nations Global Compact Program. The Global Compact Society is an agency committed to corporate social responsibility and to the United Nation's Global Compact principles. We have also been awarded the Greentech Award for Environmental Excellence in 2008 by the Greentech Foundation, India in respect of the Tanakpur power station and a corporate environmental award from The Energy and Resources Institute (TERI) in 2009. For further information, see ***"History and Certain Corporate Matters"*** on page 129.

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

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

Our Operations by Segment

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

Total restated consolidated income by business segment

(Rs. in crore)

Power Station	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Sales (Net)	3,444.78	2,891.79	2,245.94	2,031.75
Revenue from Contracts, Project Management and Consultancy Works	48.93	39.06	23.29	22.63
Interest on Power Bonds and Long Term Advances	185.27	209.22	234.09	239.54
Other Income	372.54	181.56	76.63	58.95
Total	**4,051.52**	**3,321.63**	**2,579.95**	**2,352.87**

Our Hydropower Generation Business

Our core business operations involve the generation and sale of hydroelectricity. Our projects are spread across different stages of development from the early stages of survey and investigation to operation and maintenance.

Our Project Development Process

The GoI and the state government identify the geographic areas where additional electricity is needed by determining existing and projected installed capacity and projected demand for electricity. Factors such as economic growth, population growth and industrial expansion are used to determine projected demand. To gauge the expected supply of electricity, the capacities of the existing power stations and the projects under construction or development are studied. If the GoI and the respective state government agree that a hydroelectric project is necessary and that we are the most appropriate organisation to develop the hydroelectric project, we then enter into an MoU or agreement with the concerned state government where the hydroelectric project is proposed to be located. We then begin the process of obtaining the necessary authorisations for the hydroelectric project from the concerned authorities. We are required to fulfill a three-stage clearance process for hydroelectric projects as introduced by the GoI in June 2001. This process consists of:

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

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

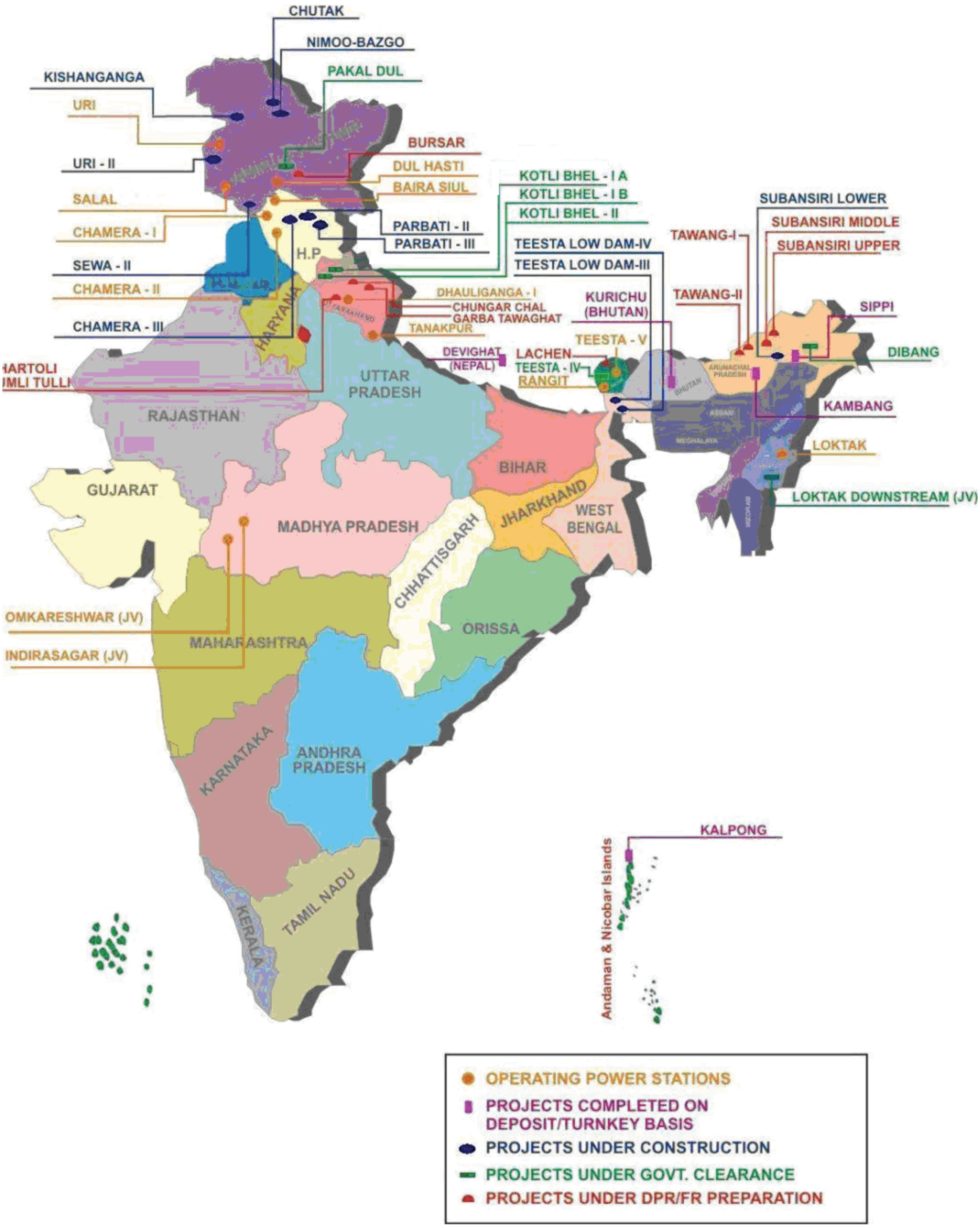
Stage-II: Preparation of Detailed Project Report and Infrastructure Development Works

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

Stage-III: Final sanction and project construction

Post the CEA approval, and after obtaining a recommendation from the PIB, GoI, the hydroelectric project proposal is presented to the CCEA for its final sanction. It is only after receiving the sanction of the CCEA that major works related to construction of the project are awarded and construction can begin at the project site.

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



*The above map is not to scale

Completed Projects

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

(Rs. in crore)

Power Station	State	Installed Capacity (MW)	Year of Commissioning	Revenue Generated in Fiscal 2009 (Rs. In crore)
Baira Siul	Himachal Pradesh	180	1981	62.26
Loktak	Manipur	105[(1)]	1983	52.48
Salal	Jammu & Kashmir	690	1987/1996	221.41
Tanakpur	Uttarakhand	120[(2)]	1992	51.98
Chamera I	Himachal Pradesh	540	1994	318.43
Uri I	Jammu & Kashmir	480	1997	399.18
Rangit	Sikkim	60	1999	53.82
Chamera II	Himachal Pradesh	300	2004	319.62
Dhauliganga I	Uttarakhand	280	2005	225.31
Dulhasti	Jammu & Kashmir	390	2007	700.59
Teesta V	Sikkim	510	2008	283.78
Total		**3,655**		**2,688.86**
Completed Projects with NHDC				
Indira Sagar	Madhya Pradesh	1,000	2005	486.92
Omkareshwar	Madhya Pradesh	520	2007	269.00
Total		**1,520**		**755.92**

(1) *Three units (3x35 MW) of the power station have been temporarily derated to a total of 90 MW (3x30 MW) at our request by the CEA until December 31, 2008; March 31, 2009 and November 30, 2009 respectively by way of its letter no. CEA/PLG/DM/545(Derating)/Loktak/2008 dated July 3, 2008. We have further requested from the CEA by way of our letter no. NH/O&M/LOK/01/2588-90 dated June 12, 2009 an extension of the derating for all three units until July 15, 2009, February 28, 2010 and June 30, 2010, respectively.*

(2) *Derated to 94.2 MW from September1996.*

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

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

Loktak Power Station (3x35 MW), Manipur

Our Loktak power station is located on Loktak lake, south of Imphal in the state of Manipur. We assumed control of this project in January 1977. The project was commissioned in April 1983 and commercial generation started in June 1983. It is a storage scheme with an installed generating capacity 105 MW of power. Three units (3x35 MW) of the power station namely Unit I, Unit II and Unit III have been temporarily derated to a total of 90 MW (3x30 MW) at our request by the CEA until December 31, 2008; March 31, 2009 and November 30, 2009 respectively by way of a letter dated July 3, 2008. We have further requested from the CEA by way of a letter dated June 12, 2009 an extension of the derating for all three units until July 15, 2009, February 28, 2010 and June 30, 2010, respectively. This derating was due to head loss in the water conductor system, which resulted in a drop in the efficiency of the turbines. This system is being renovated over time to increase the turbine efficiency. The annual design energy generation from the power station in a 90% dependable year is 448 MUs.

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

Our Salal power station is located on the River Chenab in Udhampur district, Jammu & Kashmir. We assumed control of this project in May 1978. The project was commissioned in two stages (Salal I and Salal II). Salal I was commissioned in November 1987 and started commercial generation in the same month. The three units of the Salal II project were commissioned in June 1993, March 1994 and February 1995, respectively, making use of the tailrace tunnel of Salal I. The second tailrace tunnel was completed in July 1996. The Salal II project was commissioned in 1996. The project is an RoR scheme with total installed capacity of 690 MW (6x115 MW). The annual design energy generation from the power station is 3,082 MUs in a 90% dependable year.

Tanakpur Power Station (3x40 MW), Uttarakhand

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

Chamera 1 Power Station (3x180 MW), Himachal Pradesh

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

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

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

Rangit Power Station (3x20 MW), Sikkim

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

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

Our Chamera II power station was constructed on the River Ravi and is located in the Chamba district, Himachal Pradesh. The project was commissioned in March 2004. It is an RoR scheme with pondage, which has total installed capacity of 300 MW (3x100 MW). It is an upstream development of Chamera Stage I (540 MW) commissioned by us in April 1994. The annual design energy generation in a 90% dependable year is 1,499.89 MUs.

Dhauliganga I Power Station (4x70 MW), Uttarakhand

Our Dhauliganga I power station was constructed on the River Dhauliganga, a tributary of the Sharda River in the Pithoragarh district of Uttarakhand. The project was commissioned in October 2005. The power station is an RoR scheme with pondage, which has total installed capacity of 280 MW (4x70 MW). The annual design energy generation in a 90% dependable year is 1,134.7 MUs.

Dulhasti Power Station (390 MW), Jammu & Kashmir

Our Dulhasti power station is situated in the state of Jammu & Kashmir. It has a capacity of 390 MW. The project was completed in 2007 and started production in March 2007. The project is an RoR scheme with pondage on the River Chandrabhaga, a tributary of the River Chenab. The annual design energy generation in a 90% dependable year is 1,907 MUs of power. Commercial production from this station began on April 7, 2007.

Teesta V Power Station (510 MW), Sikkim

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

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

Indira Sagar power station, under our joint venture with the Madhya Pradesh government, is situated on the River Narmada. This power station has an installed capacity of 1,000 MW, and annually generates 2,698 MUs in stage I, 1,850 MUs in stage II and 1,515 MUs in stage III. Our Indira Sagar project includes the largest reservoir in India having a gross storage capacity of 12.22 Bm^3. The project has eight turbines of 125 MW each with an installed power generation capacity of 1,000 MW of electricity.

Omkareshwar Power Station (8x65 MW), Madhya Pradesh

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

Projects under construction

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

Hydroelectric Projects	State	Proposed Installed Capacity (MW)	Project Cost (Rs. in crore)	Likely Schedule of Commissioning
Sewa II	Jammu & Kashmir	120	665.46	December 2009
Teesta Low Dam III	West Bengal	132	768.92	February 2011
Uri II(1)	Jammu & Kashmir	240	1,724.79	February 2011
Chamera III(1)	Himachal Pradesh	231	1,405.63	August 2010

Hydroelectric Projects	State	Proposed Installed Capacity (MW)	Project Cost (Rs. in crore)	Likely Schedule of Commissioning
Teesta Low Dam IV(1)	West Bengal	160	1,061.38	August 2011
Nimoo Bazgo(1)	Jammu & Kashmir	45	611.01	August 2010
Parbati III(1)	Himachal Pradesh	520	2,304.56	November 2010
Parbati II	Himachal Pradesh	800	3,919.59	March 2013
Chutak(1)	Jammu & Kashmir	44	621.26	February 2011
Subansiri Lower(1)	Assam/Arunachal Pradesh	2,000	6,285.33	December 2012
Kishanganga	Jammu & Kashmir	330	3,642.04	January 2016
Total		**4,622**	**23,009.97**	

(1) *Funds from the Issue will be utilised for the construction of each of these projects – see "**Objects of the Issue**" on page 36.*

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

Our Sewa II hydroelectric project is an RoR scheme with an expected capacity of 120 MW. We anticipate that this project will generate 533.52 MUs annually in a 90% dependable year. The project is scheduled to be commissioned in December 2009. The approved budget for the project is approximately Rs.100 crore for Fiscal 2010.

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

We took control of the Teesta Low Dam III hydroelectric project in November 2000. The project is located on the River Teesta in the district of Darjeeling in the state of West Bengal. We anticipate that the project will generate 594.42 MUs annually in a 90% dependable year. The project is scheduled to be commissioned in February 2011. The approved budget for the project is approximately Rs. 250 crore for Fiscal 2010.

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

Our Uri II hydroelectric project is located in the Uri Tehsil of the Baramulla district. We estimate this project will generate 1,123.76 MUs of energy in a 90% dependable year. The project is scheduled to be commissioned in February 2011. The approved budget for the project is approximately Rs. 450 crore for Fiscal 2010.

Chamera III Hydroelectric project (231 MW), Himachal Pradesh

Our Chamera III hydroelectric project is situated in the Chamba district in the state of Himachal Pradesh. This project is situated in the lower Himalayan region, and it is being constructed in the Chamba metamorphic rock formation on the River Ravi. We anticipate that this project will generate 1,108.17 MUs annually in a 90% dependable year. The project is scheduled to be commissioned in August 2010. The approved budget for the project is approximately Rs. 400 crore for Fiscal 2010.

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

Teesta Low Dam IV hydroelectric project is located in the district of Darjeeling in the state of West Bengal. Our project is an RoR scheme with storage for peaking purpose. We estimate our annual energy generation will be 720 MUs in a 90% dependable year. The project is scheduled to be commissioned in August 2011. The approved budget for the project is approximately Rs. 350 crore for Fiscal 2010.

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

Our Nimoo Bazgo project is an RoR scheme to harness the hydropower potential of River Indus in the Leh district of Jammu & Kashmir. We anticipate that the project will generate 239 MUs in a 90% dependable year. The project is scheduled to be commissioned in August 2010. The approved budget for the project is approximately Rs. 170 crore for Fiscal 2010.

Parbati III Hydroelectric project (520 MW), Himachal Pradesh

Our Parbati hydroelectric project is located in the Kullu district in the state of Himachal Pradesh. It is an RoR scheme. We anticipate that the project will generate 1,963.29 MUs of energy in a 90% dependable year. The project is scheduled to be commissioned in November 2010. The approved budget for the project is approximately Rs. 450 crore for Fiscal 2010. However, we believe that the delay in the commissioning of the Parbati II project may result in a reduction in the generation capacity of Parbati III project from approximately 1,963 MUs to approximately 972.20 MUs of energy since the Parbati III project is dependent upon the tailrace discharge from the Parbati II project.

Parbati II Hydroelectric project (800 MW), Himachal Pradesh

The Parbati II hydroelectric project is an RoR scheme on the River Parbati. It is anticipated that the project will generate 3,108.66 MUs of energy in a 90% dependable year. The project is scheduled to be commissioned in March 2013. The approved budget for the project is approximately Rs. 500 crore for Fiscal 2010.

Chutak Hydroelectric project (44 MW), Jammu & Kashmir

Our Chutak hydroelectric project is an RoR scheme intended to harness the hydropower potential of the River Suru in the Kargil district of the state of Jammu & Kashmir. We expect this project will generate 212.93 MUs in a 90% dependable year. The project is scheduled to be commissioned in February 2011. The approved budget for the project is approximately Rs. 120 crore for Fiscal 2010.

Subansiri Lower Hydroelectric project (2,000 MW), Assam/Arunachal Pradesh

Our Subansiri Lower hydroelectric project is the biggest hydroelectric project being undertaken in India to date. It is an RoR scheme on the Subansiri River. This project is located near north Lakhimpur on the border of Assam and Arunachal Pradesh. We estimate that the annual energy generation from this project will be 7,421 MUs in a 90% dependable year. The project is scheduled to be commissioned in December 2012. The approved budget for the project is approximately Rs. 1,000 crore for Fiscal 2010.

Kishanganga Hydroelectric project (330MW), Jammu & Kashmir

The Kishanganga hydroelectric project is located on the Kishanganga River and was initially being constructed by the state government of Jammu & Kashmir and was subsequently transferred to us for implementation. CCEA clearance for the revised cost estimate of Rs. 3,642.04 crore was granted by the Ministry of Power on January 19, 2009. Construction work has been awarded to M/s Kishanganga Consortium on a turnkey basis. Infrastructure work and mobilisation of a major contractor is currently in progress. The project is scheduled to be commissioned in January 2016. The approved budget for the project is approximately Rs. 400 crore for Fiscal 2010.

Projects Awaiting Clearances

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

Projects	State	Proposed Installed Capacity (MW)
Kotli Bhel Stage IA(1)	Uttarakhand	195
Kotli Bhel Stage IB(1)	Uttarakhand	320
Kotli Bhel Stage II(1)	Uttarakhand	530
Dibang(2)	Arunachal Pradesh	3,000
Teesta IV	Sikkim	520
Total		**4,565**
Joint Venture Projects		
Loktak Downstream	Manipur	66
Pakal Dul and other hydroelectric projects in the Chenab River Basin(3)	Jammu & Kashmir	2,100
Grand Total		**6,731**

(1) *Our Company is required to obtain forest clearance from MoEF.*

(2) *Our Company is required to obtain forest clearance from MoEF and the State Pollution Control Board after proper public hearing.*

(3) *These projects require approval from the Supreme Court as they are located in the Kishtwar High Altitude National Park.*

The current status of these projects is detailed below:

Kotli Bhel Stage IA Hydroelectric Project (195 MW), Uttarakhand

The agreement with the state government of Uttarakhand for the implementation of the Kotli Bhel Stage IA hydroelectric project was entered into on June 8, 2006. The TEC for this project was granted on October 3, 2006 by the CEA. The PIB recommended the project for investment sanction on February 7, 2007. We received the required environmental clearances from the MoEF in respect of this project in May 2007 and are awaiting the forest clearance from MoEF and the CCEA clearance. The approved budget for the project is approximately Rs. 70 crore for Fiscal 2010.

Kotli Bhel Stage IB Hydroelectric Project (320 MW), Uttarakhand

The agreement with the state government of Uttarakhand for the implementation of this project was entered into on June 8, 2006. The TEC for this project was granted on October 31, 2006 by the CEA. The PIB recommended the project for investment sanction on February 7, 2007. We received the required environmental clearances from the MoEF in respect of this project in August 2007 and are awaiting the forest clearance from MoEF and the CCEA clearance. The approved budget for the project is approximately Rs. 60 crore for Fiscal 2010.

Kotli Bhel Stage II Hydroelectric Project (530 MW), Uttarakhand

The agreement with the state government of Uttarakhand for the implementation of the project was entered into on June 8, 2006. The TEC for this project was granted on November 30, 2006 by the CEA. The PIB recommended the project for investment sanction on May 15, 2007. We received the required environmental clearances from the MoEF in respect of this project in August 2007 and are awaiting the forest clearance from MoEF and the CCEA clearance. The approved budget for the project is approximately Rs. 140 crore for Fiscal 2010.

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

The Company entered into an MoA on June 24, 2007 to execute this project on an own and operate basis, which supersedes the MoA signed earlier on September 21, 2006 with the state government of Arunachal Pradesh for the implementation of this project as a joint venture partnership. The TEC for this project was granted on January 23, 2008 by the CEA. The PIB recommended the project for investment sanction on January 28, 2008 and we are awaiting CCEA clearance. EIA and EMP studies have been finalised and submitted to the State Pollution Control Board. The public consultation process for this project is currently underway. The MoEF has, through its letter dated June 29, 2009, intimated that this project was considered by the Expert Appraisal Committee ("**EAC**") which was of the opinion that fresh public hearing is to be conducted as per the EIA Notification, 2006. The approved budget for the project is approximately Rs. 50 crore for Fiscal 2010.

Teesta IV Hydroelectric Project (520 MW), Sikkim

We entered into an agreement for the implementation of the project with the state government of Sikkim on March 1, 2006. Site clearance for stage I and II activities was granted by the MoEF on October 6, 2005. We submitted a DPR for the project to the CEA on March 31, 2008 for approval. EIA studies were approved on January 30, 2006 and are currently being carried out. Clearance for preconstruction activities was granted by the MoEF on June 4, 2009. The approved budget for the project is approximately Rs. 9 crore for Fiscal 2010.

Loktak Downstream Hydroelectric Project (66 MW), Manipur

The Loktak Downstream hydroelectric project is being implemented through a joint venture with the state government of Manipur. The TEC approval for this project was granted on November 15, 2006 by the CEA. The PIB recommended the project for investment sanction on November 23, 2006 and the clearance for pre-construction activities and the terms of reference for undertaking the EIA studies was given by MoEF on April 20, 2007. The EIA EMP studies have been approved on April 8, 2008. The approved budget for the project is approximately Rs. 5 crore for Fiscal 2010.

Pakal Dul and other hydroelectric projects in the Chenab River Basin (2,100 MW), Jammu & Kashmir

The Pakal Dul and other hydroelectric projects, with an aggregate installed capacity of about 2100 MW, are being established in the Chenab River Basin in the Kishtwar District of Jammu & Kashmir. An MoU was signed among NHPC, JKSPDC, the government of Jammu & Kashmir and PTC on October 10, 2008 for the execution of these projects through a joint venture between JKSPDC, NHPC and PTC with equity interests of 49%, 49% and 2%, respectively. The project requires approval from the Supreme Court as it is located in the Kishtwar High Altitude National Park.

Projects under Survey and Investigation

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

Project	State	Proposed Installed Capacity (MW)
Karmoli Lumti Tulli	Uttarakhand	55
Garba Tawaghat	Uttarakhand	630
Chungar Chal	Uttarakhand	240
Lachen	Sikkim	210
Tawang I	Arunachal Pradesh	750

Project	State	Proposed Installed Capacity (MW)
Tawang II	Arunachal Pradesh	750
Subansiri (Middle)	Arunachal Pradesh	1,600
Subansiri (Upper)	Arunachal Pradesh	2,000
Bursar	Jammu & Kashmir	1,020
Total		**7,255**

Karmoli Lumti Tulli Hydroelectric Project (55 MW), Uttarakhand

We entered into an agreement for the implementation of this project with the state government of Uttarakhand on November 21, 2005. The state government has applied for a wildlife clearance, which is currently pending with the Supreme Court and the NBWL. Our Company is required to obtain clearance from the Standing Committee of the NBWL as the project is located within the Askot Musk Deer Sanctuary. In light of the same, the survey and investigation works for the preparation of the DPR are currently on hold.

Garba Tawaghat Hydroelectric Project (630 MW), Uttarakhand

We entered into an agreement for the implementation of this project with the state government of Uttarakhand on November 21, 2005. The state government has applied for a wildlife clearance, which is currently pending with the Supreme Court and the NBWL. Our Company is required to obtain clearance from the Standing Committee of the NBWL as the location of the project falls within the Askot Musk Deer Sanctuary. In light of the same, the survey and investigation works for the preparation of the DPR are currently on hold. Since the project is being developed on the River Kali (Sharda), which flows through both India and Nepal, the project needs to be examined under the provisions of the Mahakali Treaty, 1996, which requires that the project benefits are shared with Nepal. Accordingly, our Company has requested through a letter dated February 16, 2009 that the MoP examine this issue, and the MoP has referred the matter to the Ministry of External Affairs who will begin consultation with the Government of Nepal.

Chungar Chal Hydroelectric Project (240 MW), Uttarakhand

We entered into an agreement for the implementation of this project with the state government of Uttarakhand on November 21, 2005. The site clearance for stage I was granted to us on November 11, 2005. The EIA studies were awarded on January 30, 2006 and are currently being carried out. The state government has applied for a wildlife clearance, which is currently pending with the Supreme Court and the NBWL. Our Company is required to obtain clearance from the Standing Committee of the NBWL as the project is located within the Askot Musk Deer Sanctuary. In light of the same, the survey and investigation works for the preparation of the DPR are currently on hold.

Lachen Hydroelectric Project (210 MW), Sikkim

We entered into an agreement for the implementation of this project with the state government of Sikkim on March 1, 2006. Site clearance for stage I was granted by the MoEF on February 27, 2006. However, survey and investigation works have been delayed on account of local opposition to the project. In addition, the MoEF through its letter dated October 8, 2008 has intimated that the final report on the carrying capacity study for the entire Teesta River basin undertaken by the Centre for Interdisciplinary Studies of Mountain and Hill Environment, University of Delhi, recommended that North Sikkim is ecologically sensitive and geologically unstable for undertaking major projects and in view of the same it was decided that projects above the Chungthang area should not be considered for the construction of dams and large scale development activities. Since our Lachen Hydroelectric Project is situated above the Chungthang area, the status of the project is under review by the management of our Company.

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

We entered into an agreement for the implementation of this project with the state government of Arunachal Pradesh on September 21, 2006 for Tawang I and II that were revised on June 24, 2007. The environmental clearance for pre-construction activities and terms of reference for undertaking EIA studies was granted by the MoEF on December 8, 2006. Survey and investigation works are currently underway. The approved budget for the Tawang I and Tawang II hydroelectric projects is approximately Rs. 10 crore each for Fiscal 2010.

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

The proposed Subansiri (Middle) Project is located on the River Kamla in Lower Subansiri District of Arunachal Pradesh. The CEA has advised us to prepare a DPR and commence essential infrastructure works; however, survey and investigation works for the preparation of a DPR have been suspended due lack of site clearance for Stage-II from the MoEF. The approved budget for the Subansiri (Middle) hydroelectric project is approximately Rs. 1 crore for Fiscal 2010.

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

The proposed Subansiri (Upper) Project is located on the river Subansiri in the Upper Subansiri District of Arunachal Pradesh. The CEA has advised us to prepare a DPR and commence essential infrastructure works, however, survey and investigation works for the preparation of a DPR have been suspended due lack of site clearance Stage-II from the MoEF. The approved budget for the Subansiri (Upper) hydroelectric project is approximately Rs. 1 crore for Fiscal 2010.

The project work at Subansiri Upper and Subansiri Middle is pending due to a Supreme Court order that restrains the construction of dams upstream of the Subansiri Lower project currently under construction.

The state government of Arunachal Pradesh appealed against this order and the matter was referred to the Standing Committee of the NBWL. The matter has been considered by the Standing Committee of NBWL. The MoEF has through its letter dated January 12, 2009, endorsed the recommendations of the Standing Committee of NBWL and stated, among other things, that any proposal pertaining to the upstream of Subansiri River would be considered independently on its merits. For further information, see ***"Risk Factors - Our Subansiri Upper and Middle projects are subject to environmental clearances and pending adjudication in the Supreme Court of India and there is no assurance that our Company will be able to successfully complete these projects"*** on page xxviii.

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

The MoP entered into an MoU with the Government of Jammu & Kashmir on July 20, 2000 wherein the Government of Jammu & Kashmir transferred this project to our Company for its implementation. We are in the process of preparing the DPR for this project. EIA and EMP studies for the project were commenced on July 14, 2005 and are currently underway. The approved budget for the project is approximately Rs. 9 crore for Fiscal 2010. Our Company is required to obtain approval from the Supreme Court to execute this project as it is located in the Kishtwar High Altitude National Park. We are awaiting the report of a committee of the Ministry of Water Resources to evaluate the techno-economic feasibility and finalise an optimised storage cum hydroelectric project.

Joint Ventures

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

Projects	State	Capacity (MW)	Our stake in Joint Venture	Status
Indira Sagar	Madhya Pradesh	1,000	51%	Commissioned in 2005
Omkareshwar	Madhya Pradesh	520	51%	Commissioned in 2007
Loktak Downstream	Manipur	66	74%	Awaiting clearances
Pakal Dul and other Hydroelectric projects in the Chenab River Basin	Jammu & Kashmir	2,100	49%	Awaiting clearances

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

Further, the government of Madhya Pradesh has given its consent by way of letter no. CE(P)/NVDA/Malwa/2009/80 dated February 28, 2009 permitting NHDC to establish a thermal power project with a capacity of approximately 1,000 MW at Khandwa in the state of Madhya Pradesh pursuant to which NHDC has signed a MoU with the Government of Madhya Pradesh on June 29, 2009 for setting up a thermal power plant. The generation capacity of the thermal power plant is estimated at 1,320 MW. The government of Madhya Pradesh has also agreed to buy power from this project. The necessary PPA will be executed in due course with terms similar to those contained in the PPA executed in connection with the Indira Sagar Hydro Power Project.

In addition, the MoP through its letter no. F.No. 7/28/2008-H-I dated July 6, 2009, has directed that the Tipaimukh Hydroelectric project (1,500 MW) in Manipur, which is presently being executed by North Eastern Electric Power Corporation ("**NEEPCO**"), be executed as a joint venture among our Company, SJVNL and Government of Manipur having shareholdings of 69%, 26% and 5%, respectively. Further, the cost of preparation of DPR incurred by NEEPCO would be reimbursed by our Company.

According to our restated financial statements, total revenue generated by NHDC for Fiscals 2007, 2008 and 2009 was Rs. 561.26 crore, Rs. 737.81 crore and Rs. 861.01 crore, respectively. The net profit posted by NHDC for Fiscals 2007, 2008 and 2009 was Rs. 256.71 crore, Rs. 339.21 crore and Rs. 315.30 crore, respectively.

Joint Venture with the government of Manipur

In September, 2007, we entered into a MoU with the Manipur state government for the implementation of the Loktak Downstream hydroelectric project on a joint venture basis. We signed the Promoters Agreement with the government of Manipur in September 2008. The Government of Manipur ratified and approved the Memorandum of Association and Articles of Association for the formation of a joint venture company in March 2009. We own a 74% stake in the project. The total equity contribution by the Manipur state government and our Company is projected to be Rs. 48.92 crore and Rs. 139.24 crore, respectively. In respect of the power station operated by our joint venture, all output will be supplied to the government of Manipur at a rate determined by the CERC. The joint venture entity has the flexibility to sell power to other buyers should the government of Manipur not fulfil on its commitments to buy power.

MoU with the government of Jammu & Kashmir

We signed a MoU on October 10, 2008 with the JKSPDC, the government of Jammu & Kashmir and PTC to develop Pakal Dul and other hydroelectric projects in Chenab river basin with aggregate installed capacity of approximately 2,100 MW.

Contracts, Project Management and Consultancy Works Business

We believe that our industry leadership as well as quality credentials puts us in a strong position to offer a wide range of consultancy services in the field of hydropower. Our consultancy services division was set up in 1993 to offer consulting and contractual services to meet requirements for different project types.

Our consultancy are services registered with the World Bank, the Asian Development Bank, the African Development Bank, the Kuwait Fund for Arab Economic Development and the Central Water Commission and Consultancy Development Centre.

Our clients include central and state government agencies in India including SEBs and PSUs, as well as a number of foreign governments and private sector entities. From a marketing perspective, consultancy contracts also allow us to establish a relationship with potential future clients and, in the case of project feasibility studies, to become involved at an early stage in turnkey projects for which we may later submit bids.

According to our Restated Consolidated Financial Statements, the contribution of our contracts, project management and consultancy works business to our total income was Rs. 23.29 crore, Rs. 39.06 crore and Rs. 48.93 crore for Fiscals 2007, 2008 and 2009, respectively.

Consulting/Advisory Services for Hydropower Projects

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

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

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

We have completed 76 consulting assignments and as at May 31, 2009 we have 17 ongoing consulting assignments. Some of the projects undertaken in the past by the consultancy division include:

Client	Services Rendered

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

Further, on August 12, 2008, we entered into an agreement with the Ministry of External Affairs, GoI and Bharat Heavy Electricals Limited in connection with the renovation, modernisation and uprating of the Varzov Hydropower Plant I (2x3.67 MW), in Tajikistan.

We have also entered into an MoU with the Union of Myanmar dated September 16, 2008 to study the master plan for the hydropower development of the Chindwin river basin and to review the DPRs for the Tamanthi hydroelectric project (1,200 MW) and the Shwzaye hydroelectric project (642 MW). Project review reports for these two projects were submitted to the government of Myanmar in December 2008.

Turnkey Agency Contracts

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

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

We have undertaken certain international agency contracts under the direction of GoI. These projects are undertaken in the spirit of cooperation with foreign governments and also to broaden our international experience. The status of various turnkey agency projects undertaken by our consultancy services division is set out below:

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

Further, we commissioned and handed over the Sippi Small Hydroelectric turnkey agency project to the Department of Hydropower Development of the government of Arunachal Pradesh on August 23, 2008.

Specialised Government Agency Works

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

Specialised government agency works we undertake include:

Client	Services Rendered
REC Limited	We implement rural electrification works under the Rajiv Gandhi Grameen Vidyutikaran Yojna in various states in India for fixed agency fees of 9-12% on the cost of the project. We have been allocated 27 districts in five states. As of July 15, 2009: ▪ Estimated cost of work to be implemented is Rs. 2,580 crore; ▪ 33 projects, costing Rs. 2,407 crore have been sanctioned; ▪ We have electrified approximately 3,396 unelectrified and de-electrified villages and approximately 2,838 partially electrified villages. ▪ Further, we provided approximately 328,389 connections to families below the poverty line.
Ministry of Rural Development, GoI	We undertake the construction of rural roads in six districts of Bihar under the Pradhan Mantri Gram Sadak Yojna, for fixed agency fees of 10% on the cost of the project. As of July 15, 2009: ▪ 832 roads of 3,517 km with a cost of Rs. 1,921 crore have been cleared by Ministry of Rural Development, GoI; and ▪ 138 roads of 767.40 km (full length) with a cost of Rs. 328.36 crore have been completed

Construction of Hydropower Projects

Design and engineering

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

Civil and hydromechanical design

This aspect of the project includes:

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

Geological and geotechnical engineering

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

- Undertaking geological and geotechnical investigations including exploratory drilling, surface mapping, trenching, and pitting, to enable identification of overburden and rock types, determination of condition and strength of materials for design of slope stability, foundation, leakage as required for the size of the structures, and selection of construction materials.
- Undertaking geotechnical design of structures for all stages of the work, an assessment of the seismicity for subprojects to ensure that earthquake effects have been adequately addressed in the design of the structures.
- Assessing the technical risks projects, particularly unknown subsurface conditions associated with foundations and leakage.

Electrical and mechanical design

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

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

Contract and construction management

Our role as contract and construction manager is to organise and supervise the construction of the project. We determine the number of contracts that are awarded per project after reviewing the size and capacity of the project. In general, one or two contracts for civil works, one contract for the hydromechanical components and one contract for the electromechanical components of each project are awarded. We award our major contracts for civil works after a process of international competitive bidding and our contracts are generally based upon the Fédération Internationale des Ingénieurs-Conseils conditions of contract for works of civil engineering. Hydromechanical and electromechanical works packages are based upon the World Bank's standard conditions of contract. Contracts are awarded after a three-stage bidding process consisting of pre-qualification, techno-commercial bidding and price bidding to ascertain general, technical and financial suitability of each of the bidding contractors. These processes are transparent and provide recourse through well-developed dispute resolution mechanisms.

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

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

Operation and maintenance

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

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

Automation of stations

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

Sale of Energy

Tariffs

Tariffs for each of our hydropower stations are determined by the CERC. A new tariff policy was issued by CERC pursuant to notification no. L-7/145(160)/2008-CERC dated January 19, 2009, and relates to the period from April 1, 2009 to March 31, 2014. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" on page 282.

Tariffs are determined by reference to AFC, which comprise primary energy charges and capacity charges and is determined by return on equity, depreciation, interest on loan, interest on working capital and operation and maintenance expenses. Recovery of capacity charges is dependent on the actual utilisation of our machines for generating power. Capacity is determined by reference to the NAPAF, which has been prescribed for each project based on the nature of the project.

We are entitled to receive incentives for achieving a plant availability factor greater than NAPAF as well as for generating energy in excess of the design energy level of the plant. This contrasts with the tariff system in place for Fiscal 2005 to Fiscal 2009 in which additional energy charges were recovered when prescribed capacity levels were exceeded. For further information see "***Risk Factors - The implementation of CERC's tariff regulations for the period from April 1, 2009 to March 31, 2014 may adversely affect our cash flow and results of operations***"on page xxii.

Power Purchase Agreements

The GoI allocates the output of each of our stations among the station's customers. Each of our power stations has PPAs with its customers. In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. Under the terms of the PPAs, we are obliged to supply electricity to SEBs or their successor entities, private distribution companies and other GoI entities in accordance with the terms of the allocation letters issued by the GoI from time to time as required by the tariff policy issued from MoP. The PPA is valid until it is extended, renewed or replaced by another agreement on such terms and for such further period of time as the parties agree.

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

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

Significant features of PPAs include:

- The term of the PPA is generally for five years from the date of the commercial operation of the last unit of the project, provided that such PPAs may be renewed or replaced on such terms and for such further time as the parties may agree. However, the provisions of a PPA continue to operate until such PPA is formally renewed or replaced.

- We are required to sell the entire power available for sale generated by our power stations to the bulk power customers. Power available for sale is determined after deducting the power to be provided free of cost to the bulk purchaser and power that is consumed in plant operations, transmission and transformation.

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

- The tariffs we charge and the conditions for the supply of energy, as well as the surcharge levy and rebates are determined according to the tariff notifications issued by the CERC or policies of GoI from time to time. Further, settlement of any disputed current dues is determined according to the directives of the CERC or the GoI as issued from time to time.

- Metering arrangements, including installation, testing, maintenance, collection, transportation and processing of data required for energy exchange, is governed by the notifications issued by the CERC from time to time and as per the relevant provisions of the Indian Electricity Grid Code, as amended from time to time.

- The parties to a PPA are not liable for any claim for loss or damage arising out of failure to carry out the terms of such PPA to the extent that such failure is due to events such as riot, strike, lock out, fire, explosion, flood, drought, earthquake, war or other forces, accidents or *force majeure* events. Any party claiming the benefits of this provision holds the burden of proving that the event occurred and damage was suffered.

- All questions or disputes between parties in connection with a PPA, except the extent of power vested with the respective RPC, are settled through arbitration in accordance with the provisions contained in the Electricity Act, 2003 and the Arbitration and Conciliation Act, 1996 and any statutory modifications thereto, in the event such differences cannot be settled through conciliation prior to arbitration.

Recoveries through the One-Time Settlement Scheme

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

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

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

The Tripartite Agreements and Settlement require each SEB to establish an LC in our favour with a commercial bank. The LCs are required to cover 105% of the average billed amount for the preceding 12 months and are required to be updated twice every year. If the LC for the required amount is not in place, NHPC has the right to regulate the power supply to the concerned SEB or their successor entities or other state government entities in accordance with the provisions of the Tripartite Agreements.

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

In addition, if payment is not made within 60 days after NHPC raises the invoice, NHPC has the right to reduce power supply by 5% and if payment is not made within 75 days, NHPC has the right to reduce power supply by 10%. If payment is not made within 90 days, NHPC has the right to reduce power supply by 15%. If NHPC reduces the power supply in the manner described above, we can approach the GoI to pay NHPC the outstanding amounts from the concerned state's account balance with the RBI.

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

Agreements entered into by NHDC in respect of payments of outstanding dues

Security mechanisms have also been put in place in respect of billings for NHDC. An agreement was entered into on March 26, 2008, between NHDC, Madhya Pradesh Power Trading Company Limited ("**MPTRADECO**") and Madhya Pradesh State Electricity Board ("**MPSEB**") for the payment of outstanding dues. MPTRADECO agreed to pay Rs. 448.25 crore towards the settlement of overdue amounts outstanding as of August 2007 along with interest at the rate of 10% per annum. This amount, along with interest, is payable by MPTRADECO in 49 equal monthly instalments commencing from April 2008.

In addition, NHDC has entered into an LC with each of MPTRADECO and MPSEB to cover 105% of its average billing with each entity.

Research and Development

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

Our research and development activities are concentrated primarily on studies for elongation of operating life of underwater components, such as turbines, by mitigating silt erosion. We have conducted field trials of coatings for underwater parts and have also joined with the National Metallurgical Laboratory, Jamshedpur, as lead agency for the development of alternative silt resistant material. We have also successfully introduced a hydro suction sedimentation exclusion system for the Salal reservoir and the Tanakpur power channel. We have also established a Computational Fluid Dynamics laboratory for design and analysis of hydro power systems & components.

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

We have also commenced the execution of a 3.75 MW Durgaduani Mini Tidal Power Project in West Bengal pursuant to the updated DPR in compliance with an MoU signed between our Company and WBREDA.

Clean Development Mechanism

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

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

The Nimoo Bazgo (45 MW) and Chutak (44 MW) hydroelectric projects located in Jammu & Kashmir state were registered by the CDM Executive Board of the United Nations Framework Convention on Climate Change at its 46th meeting in March, 2009. The Nimoo Bazgo and Chutak projects shall annually reduce emissions of approximately 187,893 metric tonne CO_2 equivalent and 166,831 metric tonne CO_2 equivalent after their commissioning in August 2010 and February 2011, respectively.

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

IT and Communications

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

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

We have set up IT infrastructures including LANs in more than 35 of our locations across the country. Most of the locations/offices are interconnected through multi-mode, communication systems to provide voice, fax, data and video conferencing services. Since most of our projects/power stations are located in remote areas, our Very Small Aperture Terminal ("VSAT") based satellite communication network has become the lifeline for effective operations of power stations and also for monitoring of projects under construction. We are presently upgrading the bandwidth of our existing VSAT network. Further, to support our centralised Enterprise Resource Planning ("ERP") architecture, an MPLS-VPN based communication network has recently been deployed.

We have implemented an ERP system to enable us to manage optimum utilisation of generating assets, accelerated development of construction projects and thereby improve the quality, productivity and profitability of our organisation. We are also in the process of setting up a data centre at Faridabad to host the ERP system. We anticipate that we will invest approximately Rs. 85.30 crore, intended to be raised through internal accruals, over the period of five years (2007-12) in implementing and maintaining the ERP project including software, hardware and communication systems.

We believe that this system will provide following benefits:

- integrated management of all key activities for construction of projects.

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

Software

Our electromechanical design division has developed a suite of software, Jal Vidyut, for in-house use in connection with power potential assessment, preliminary power house sizing and speed and pressure rise computations. DPRs for several projects have been successfully submitted to the CEA for TEC using data computed by the software. This suite of software was developed in an effort to standardise engineering practice in our organisation. We intend to continue to refine this software to increase its utility to our engineering team.

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

Insurance

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

- Cargo insurance;
- Contractor's all-risk insurance;
- Erection all-risks insurance;
- Worker's compensation insurance;
- Employers' liability (as per the Public Liability Insurance Act, 1991); and
- Third-party liability insurance.

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

Human Resources

Our Company had 11,870 employees as of July 20, 2009. Our Company had 12,028 employees on its payroll as of March 31, 2009. Of this, 5,232 employees were engaged in operation and maintenance areas of our business. Our Subsidiary had 541 employees as of March 31, 2009. Of this, 236 employees were engaged in operation and maintenance areas of our business. We believe that a well-trained and experienced team of employees is crucial to our continued growth and success. In this regard, we are committed to recruiting and retaining the best talent in the industry, providing them the best training and development facilities and remunerating our employees at levels that will encourage them to perform to their best capability.

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

Employee Training and Development

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

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

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

Unions

The majority of our workers are affiliated with worker unions. We believe that we have harmonious relationships with our worker unions. Most of our generating stations have unions that are registered under the Trade Union Act, 1926. Most of these unions are affiliated with one of the following - All India NHPC Employees' & Workers' Council, All India Workers' & Employees' Federation, NHPC Karamchari Mahasangh and NHPC Employees' Front. We have previously had instances of sporadic and localised protests. These have not led to any substantial generation loss. Wage negotiations with our unions are ongoing and a new wage agreement is anticipated to be entered into with respect to unionised employees later this Fiscal year. For details, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Expenditures – Employees' Remuneration and Benefits***" on page 292. Our executive and supervisory employees are affiliated with employee associations.

Environmental Compliance

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

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

- environmental impact assessment studies;
- catchment area treatment to arrest soil erosion;
- compensatory afforestation to replace forest areas lost to project construction;
- green belt development and reservoir rim treatment;
- landscaping and restoration of dumping, quarrying and construction areas;
- solid waste management;
- wildlife conservation;

- fishery management and conservation;
- land acquisition, resettlement and rehabilitation for the project-affected people in accordance with the Land Acquisition Act, 1894, the National Resettlement and Rehabilitation Policy, 2007 and our Resettlement and Rehabilitation Policy, 2007;
- post-construction environmental and social impact evaluation; and
- disaster management.

The ISO 14001 certification of our environmental management systems issued by the Bureau Veritas Certification (India) Private Limited demonstrates the international recognition of our commitment to sustainable development. We have a multi-disciplinary environment core group for conducting environmental impact assessment studies, and for monitoring and evaluating proposed environmental safeguards. Our corporate planning division also provides consultancy services in relation to environmental impact assessment and environmental management, and has advised eight state government and other entities in relation to environmental impact assessment since 1999.

Corporate Social Responsibility and Rehabilitation and Resettlement

We are committed to our Corporate Social Responsibility ("**CSR**") efforts and strive to demonstrate environmentally as well as ethically conscious behaviour. We seek to incorporate best practices in corporate governance, employee welfare, and environmental commitment, and have taken various initiatives towards community development. In our endeavour to align our business operations with social values, we have sanctioned a budget for various large-scale community empowerment and capacity building initiatives to be undertaken in and around our power stations and construction sites pursuant to provisions made in the DPRs.

Our CSR initiatives have been acknowledged with awards and recognition from various agencies and industry bodies. For further information, see ***"History & Certain Corporate Matters"*** on page 129.

Our resettlement and rehabilitation program aims to improve the economic status of people displaced or otherwise affected adversely by our projects. We are committed to safeguarding the interests of PAPs through implementation of our Rehabilitation and Resettlement Policy, 2007, ("**R&R Policy**") which is based on the National Resettlement and Rehabilitation Policy, 2007 ("**NRRP**") of the GoI. For further information, see "***Regulations and Policies in India***" on page 119.

Our R&R Policy aims to provide PAPs with an adequate rehabilitation package beyond monetary compensation. This includes active and transparent participation of PAPs in deciding their compensation packages, compensation for those who do not have a legal or recognised right over the land on which they depend for subsistence, continuity in livelihood options after resettlement, quantification of costs and benefits that will accrue to society (as to the desirability and justifiability of each project), expeditious implementation of the rehabilitation process and special care for vulnerable sections of society.

Each resettlement and rehabilitation program is developed on a project-by-project basis, based on specific local requirements and guided by extensive socio-economic surveys. We have created an institutional framework to implement our R&R Policy. However, the government of the state in which the project is located is ultimately responsible for disbursing compensation to PAPs. Where our Company is unable to extend direct employment to PAPs, relief packages may be deposited with local government authorities for further distribution, and various local capacity development and community empowerment programmes are undertaken for the benefit of PAPs. We endeavour to involve local communities and non-governmental organisations in our community empowerment and capacity building initiatives, including at the planning, implementation, and maintenance stage.

Recent initiatives towards socio-economic development in connection with our power stations and projects, including initiatives under our R&R Policy for the benefit of PAPs, include the following:

- construction, widening and maintenance of roads and bridges;
- afforestation, catchment area treatment, and fisheries management;
- development of irrigational facilities, water supply, and drainage facilities;
- creation of botanic parks and biodiversity conservatories;
- rural electrification works;
- organisation of educational, career guidance and vocational training programs, awareness programmes on horticultural and agricultural practices, healthcare programs and promotion of sports and culture;
- organisation of health checkup camps, vaccination and immunisation works, free distribution of medicines; and
- on occasion, our Company has assisted in reconstruction of flood-affected villages

However, our Company, NHDC and some of their directors including our Chairman and Managing Director, Mr. S. K. Garg are involved in significant litigation in relation to the resettlement and rehabilitation of PAPs. See "***Risk Factors***" and "***Outstanding Litigation and Material Developments***" on pages xiii and 316, respectively.

Competition

According to the CEA Monthly Review of the Power Sector, as of May 31, 2009, total installed capacity of hydroelectric projects in India was approximately 36,877.76 MW. Our Company, with an installed capacity of 3,655 MW, represents approximately 9.91% of the capacity share. Combined with NHDC's installed capacity of 1,520 MW, we represent a capacity share of approximately 14.03%. In Fiscal 2009, our Company and our Subsidiary generated 16,582.72 MUs and 2,368.45 MUs of electricity, respectively. Some of the other players in this industry are Bhakra Beas Management Board ("**BBMB**"), generation companies of the various states of India, such as, MAHAGENCO, Andhra Pradesh Generation Company ("**APGENCO**"), Satluj Jal Vidyut Nigam Limited, which is a joint venture between the GoI, the government of Himachal Pradesh and Tehri Hydro Development Corporation Limited ("**THDC**"), which is a joint venture between the GoI and the government of Uttar Pradesh, along with other private players. Due to the historical imbalance between demand and supply in the Indian power sector, there has generally been a stable market for power generation companies in India. However, the Electricity Act, 2003, removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation stations. These reforms provide opportunities for increased private sector involvement in power generation. Specifically, the open access reforms, by which generators will be able to sell their output directly to distribution companies and, ultimately, directly to consumers, may increase the financial viability of private investment in power generation.

While under the Electricity Act, 2003, CEA approval and consent of relevant state government is required to set up a hydropower project, the increased opportunities for private investment in the market described above, when combined with available hydro potential in India and the resulting low costs of production, may lead to increased investment in and competition in the hydroelectric sector in the future.

Properties

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

Office	Address	Nature of Property Rights
Faridabad	NHPC Office Complex, Sector 33, Faridabad 121 003, Haryana	Freehold
Gangtok	Near Sikkim Manipal Medical College, Tadong, Gangtok 737 101, Sikkim	Freehold
Jammu*	Plot No. 1,2 and 11, JDA Commercial Complex, Fruit Market, Narwal, Jammu 180 012, Jammu and Kashmir	Leasehold
Banikhet	P.O. Banikhet, District Chamba, Himachal Pradesh, 176303	Freehold
Lucknow	TC/43-V, Vibhuti Khand, Near RML Hospital, Gomti Nagar, Lucknow 226 010, Uttar Pradesh	Freehold
Chandigarh	Bays 74-75, Dakshan Marg, Sector 31-A, Chandigarh 160 030, Punjab	Leasehold
Kathgodam	Hanuman Gari, Gaula Par Road, Post Office Kathgodam, District Nainital 263 126, Uttarakhand	Leasehold
Kolkata	Plot No. 3, Block DP, Sector V, Salt Lake City, Kolkata 700 091, West Bengal	Leasehold
Mumbai	203-204, Keshava Building, Bandra Kurla Complex, Bandra (East) Mumbai 400 051, Maharashtra	Leasehold

** Presently under construction*

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

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

(a) Acquisition of government-owned land through processes instituted under the Land Acquisition Act, upon payment of due compensation as determined through examinations conducted by the Land Acquisition Officer under the Land Acquisition Act;

(b) Acquisition of government-owned land under perpetual leases executed with the relevant state or local authorities for such consideration and on such conditions as are contained in the letters of allotment or lease deeds;

(c) Acquisition of privately owned land from various persons, through processes instituted under the Land Acquisition Act, upon payment of due compensation as determined through examinations conducted by the Land Acquisition Officer under the Land Acquisition Act: or

(d) Acquisition of privately owned land from various persons through sale deeds executed with such persons for such consideration as is agreed between us and such private persons.

There are certain immovable properties for which the conveyance deeds have not yet been executed in our favor. In addition, there are certain properties for which mutations (the process by which changes in beneficial ownership is formally recorded in land registries in India) have not yet been carried out in the records of the local land registries. Some of the leases on our leasehold properties may have expired and certain of our property documents may not be adequately stamped. For further information, see "***Risk Factors - Some of our immovable properties have***

certain irregularities in their documentation and as a result of this these properties have deficiencies in title, which may adversely affect our operations" on page xix.

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

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

The Power Sector

"Electricity" falls within the Concurrent List of the Seventh Schedule to the Constitution of India. Therefore, both the GoI and the State governments have the power to legislate in this sector, provided that a State enactment does not conflict with any Central enactment.

The Electricity Act, 2003 ("Electricity Act")

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

Authorities under the Electricity Act

The CEA was constituted under the repealed Electricity (Supply) Act, 1948 and its powers and functions were amended under the Electricity Act. The CEA consists of members appointed by the GoI and it acts as an advisor to the Central Government on matters relating to the national electricity policy, formulates plans for development and co-ordinates with planning agencies for optimal usage of resources. The CEA also specifies technical standards and safety requirements for electrical plants, lines and grids.

The Electricity Act also regulates the working of the CERC and a State Electricity Regulatory Commission ("**SERC**") for each State, which were originally constituted under the repealed Electricity Regulatory Commissions Act, 1998. The CERC's functions include regulation of tariff of power generating companies owned or controlled by the Central Government and tariff of power generating companies other than those owned or controlled by the Central Government, if such generating companies have a composite scheme for generation and sale of electricity in more than one State and of inter-State transmission of electricity; determination of tariff for inter-State transmission of electricity; issuance of licenses to generating companies, transmission licensees and electricity traders with respect to their inter-State operations; adjudication of disputes involving generating companies or transmission licensees regarding matters under the Electricity Act and the power to refer any dispute for arbitration; levy of fees for purposes of the Electricity Act; specifying the Indian Electricity Grid Code ("**IEGC**") with regard to the Grid Standards; specifying and enforcing standards with respect to quality, continuity and reliability of service by licensees; fixation of the trading margin in inter-State trading of electricity, if considered necessary; and advising the Central Government on formulation of the National Electricity Policy and Tariff Policy. The SERCs functions include adjudication on disputes between licensees and generating companies, and the power to refer any such dispute for arbitration; levy of fees for the purposes of the Electricity Act; specifying the State Grid Code consistent with the IEGC as specified under the Electricity Act, specifying or enforcing standards with respect to quality, continuity and reliability of service by licensees and to fix the trading margin in intra-State trading of electricity, if considered necessary. The Electricity Act also provides for establishment of a Joint Commission by agreement between two or more State governments or by the Central Government in respect of a Union Territory and one or more State governments. The appropriate commissions are, in connection with any inquiry or proceedings under the Electricity Act, vested with powers of a civil court and all proceedings before the appropriate commission are deemed to be judicial proceedings within the meaning of the Indian Penal Code.

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

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

Generation of Electricity

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

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

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

The appropriate commission may issue such directions as it considers appropriate to a generating company if such generating company enters into any agreement, abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry. Further, the Central and State governments are empowered under the Electricity Act to direct the operation and maintenance of power generating stations in the event of a security threat to the State, a natural calamity or any other extraordinary circumstances. The Central Government has the power to make rules in order to carry out the provisions of the Electricity Act and has the authority to prepare the National Electricity Policy and the National Tariff Policy and modify the same from time to time. The Central Government may also make regional demarcation for the efficient and economical transmission and supply of electricity in India.

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

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

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

Development of hydropower projects and power sharing formula

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

(a) **Stage-I:** Any hydropower generation company proposing to set up a hydropower station is required to approach the MoP for sanction of the proposed project. The MoP shall sanction expenditure of up to Rs. 10 crore on survey, investigation and preparation of the pre-feasibility report, subject to the same appearing in the five year plan. If the expenditure for the proposed project exceeds Rs. 10 crore, it requires sanction by the PIB;

(b) **Stage-II:** involves preparation of the DPR, pre-construction works, development of infrastructure and land acquisition. In the event estimated cumulative expenditure for Stages I and II exceeds Rs. 10 crore, the same shall be considered by the PIB. Proposals of over Rs. 20 crore will be considered by the Ministry of Finance and those involving over Rs. 50 crore require the approval of the CCEA;

(c) **Stage-III**: the approval of PIB/CCEA would be required in respect of the construction of the project. These approvals would be sought after the environment and forests clearances have been obtained from MoEF and TEC from the CEA.

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

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

The National Electricity Policy, 2005 ("NEP")

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

- providing access to electricity to all households in India within the next five years, including through creation of a 'Rural Electrification Distribution Backbone';
- fully meeting India's power demand by 2012, by overcoming energy and peaking shortages and making available adequate spinning reserve;
- per capita availability of electricity to be increased to over 1,000 units by 2012;
- minimum lifeline consumption of one unit/household/day as a merit good by year 2012;
- progressive reduction in surcharge in line with progressive reduction in cross-subsidies and reduction in tariffs charged by SERCs;
- supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- financial turnaround and commercial viability of the electricity sector; and
- protection of consumer's interest.

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

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

The National Tariff Policy, 2006

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

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

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

National Electricity Plan

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

The National Hydro Power Policy, 2008

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

(a) The existing dispensation available to the public sector regarding exemption from tariff based bidding up to January 2011 is extended to private sector hydroelectric projects;

(b) State governments would be required to follow a transparent procedure for awarding potential sites to the private sector;

(c) The concerned private developer would be required to following the existing procedure, including getting the DPR prepared, obtaining concurrence of the CEA/State government, obtaining environment, forest and other statutory clearance and then approach the appropriate regulator. It would be obligatory for the developers to go through an international competitive bidding process for award of contract for supply of equipment and construction of the project either through a turnkey contract or through a few well defined packages;

(d) Tariff of the project would be decided by the appropriate commission;

(e) Special incentive for merchant sales of up to 40% of the saleable energy is envisaged for the project(s) meeting the time lines;

(f) An additional 1% free power from the project would be provided and earmarked for local area development fund, aimed at providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities on a sustained and continued basis over the life of the project. It is further recommended that the host State government would also provide a matching 1% from their share of 12% free power towards this corpus fund. This fund could be operated by a standing committee headed by an officer of the State government not lower than a district magistrate;

(g) For 10 years from the date of commissioning of the project, 100 units of electricity per month would be provided by the project developer to each project affected family through the relevant distribution company;

(h) In the interest of speedy implementation of hydroelectric projects, it is proposed that the Resettlement and Rehabilitation package should be more liberal than the National Resettlement and Rehabilitation Policy, 2007.

The Land Acquisition Act, 1894

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

The Environment (Protection) Act, 1986 ("EPA")

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

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

After completion of the public consultation, the environmental concerns expressed during the process are addressed in the draft EIA and EMP reports and the final EIA and EMP reports are submitted along with a copy of DPR to MoEF for appraisal by the EAC. Alternatively, a supplementary report to EIA and EMP, addressing the concerns is submitted. Once the project is recommended by the EAC, the environmental clearance is issued by the MoEF subject to compliance with the conditions stipulated in the clearance letter.

The Forest (Conservation) Act, 1980 ("FCA")

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

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

The National Water Policy, 2002

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

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

The National Resettlement and Rehabilitation Policy, 2007

The National Rehabilitation and Resettlement Policy was notified by the GoI on October 31, 2007, to rehabilitate and resettle persons affected by the acquisition of land for projects of public purpose or involuntary displacement due to any other reason. The policy covers all cases of involuntary displacements. In case of each such project, which involves involuntary displacement of four hundred or more families *en masse* in plain areas, or two hundred or more families *en masse* in tribal or hilly areas, Desert Development Programme blocks or areas mentioned in the Fifth or Sixth Schedule to the Constitution of India, the appropriate Government shall constitute a committee under the chairpersonship of the Administrator for rehabilitation and resettlement, to be called the Rehabilitation and Resettlement Committee, to monitor progress of implementation of a scheme of rehabilitation and resettlement of the affected families, and to carry out post-implementation social audits.

The Contract Labour (Regulation and Abolition) Act, 1970

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

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

The Trade Unions Act, 1926

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

HISTORY AND CERTAIN CORPORATE MATTERS

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

Changes in our Registered Office

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

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

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

Major events

Financial Year	Event
1975 – 76	Incorporation of our Company
1976 – 77	Transfer of the Loktak hydroelectric project (105 MW) from GoI to our Company
1977 – 78	Transfer of the Baira Siul hydroelectric project (180 MW) from GoI to our Company
1982 - 83	Baira Siul power station (180 MW) in Himachal Pradesh commissioned
1983 – 84	All units of Devighat power station in Nepal commissioned ahead of schedule
	Loktak power station (105 MW) in Manipur commissioned
1985 – 86	Hydro Power Training Institute set up at the Baira Siul hydroelectric project to train operators and supervisory staff
1986 – 87	First issue of 14% 7 years, redeemable secured non convertible bonds amounting to Rs. 143.64 crore
	Nuwakot Rural Electrification project in Nepal completed ahead of schedule
1987 – 88	Establishment of a satellite telecommunication network taken up to link various projects of our Company
1989 – 90	GoI upgraded our Company from a Schedule 'B' to a Schedule 'A' corporation
1992 – 93	A consultancy wing set up to provide a range of specialised services in the investigation, design, construction and operation of hydel projects
	Tanakpur power station (120 MW) in Uttarakhand commissioned
1994 – 95	Awarded the lining work of Jawahar Tunnel in Jammu & Kashmir
	Our Company declared its maiden dividend of Rs. 5 crore for the year ending March 31, 1994
	Our Company's registered office started operating from its present building in Faridabad
	Chamera I power station (540 MW) in Himachal Pradesh commissioned
1995 – 96	Agreement signed for execution of Kurichhu hydroelectric project (45 MW) in Bhutan
1997 – 98	Uri power station (480 MW) in Jammu & Kashmir commissioned
1999 – 2000	Rangit power station (60 MW) in Sikkim commissioned
2000 – 01	Three units of 45 MW Kurichhu power station in Bhutan commissioned by our Company ahead of schedule
	Our Company and the government of Madhya Pradesh entered into an MoU to exploit the hydro electric potential of the Narmada basin by completing the Indira Sagar and Omkareshwar projects

Financial Year	Event
	Our Company and the government of Jammu & Kashmir entered into an MoU to exploit the power potential of the state
2002 – 03	A line of credit for a tenor of 19 years taken from LIC for an amount of Rs. 2,500 crore
	Our Company was accorded 'AAA' credit rating for domestic borrowing and 'BB' credit rating at par with sovereign rating of international borrowings by Fitch Ratings
2003 – 04	Chamera- II power station (300 MW) in Himachal Pradesh commissioned
2004 – 05	Indira Sagar hydroelectric project (1,000 MW) of NHDC, a joint venture of our Company and the government of Madhya Pradesh in Madhya Pradesh commissioned
2005-06	ERP initiated under the name Project Kiran
2006 – 07	Our Company entered into an agreement with Government of Bhutan for preparation of DPR of Mangdechhu project (672 MW) in Bhutan
2007 – 08	The name of our Company changed to its present name NHPC Limited
	Dulhasti power station (390 MW) commissioned
	Teesta-V power station (510 MW) commissioned
	Omkareshwar hydroelectric project (520 MW) of NHDC, a joint venture of our Company and the government of Madhya Pradesh, commissioned
	Our Company entered into an MoA with the government of Arunachal Pradesh to execute the Dibang multipurpose hydroelectric project
	Our Company entered into an MoU with the government of Manipur to exploit the hydro electric potential of the tailrace discharge of Loktak Downstream Hydroelectric Project
2008 – 09	Our Company conferred Mini Ratna Category I status by the GoI
	Our Company entered into an MoU with the government of Jammu & Kashmir, JKSPDC and PTC to incorporate a joint venture develop the Pakal Dul and other hydro projects in the Chenab River Basin
	Incorporation of joint venture company, National Power Exchange Limited, along with NTPC, PFC and Tata Consultancy Services Limited
2009-10	Incorporation of a joint venture company, National High Power Test Laboratory Private Limited, along with NTPC, Powergrid Corporation of India Limited and Damodar Valley Corporation

Awards and recognitions

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

Year	Award/Recognition
2005	Solar Energy Society of India Business Leadership Award for Hydropower for the year 2004
2006	Enterprise Excellence Award (Certificate of Merit) by the Indian Institution of Industrial Engineering for Financial and Operational Strength for the year 2004-05
	Golden Peacock Award to Chamera Power Station I for Environment Management for the year 2006 by the World Environment Foundation
2007	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for the Dhauliganga Power Station for the year 2006
	Golden Peacock Award to Region II, Banikhet by World Environment Foundation, New Delhi for Excellence in Environment Management for the year 2007
	Water Digest Award for Best Water Management – PSU by Water Digest Private Limited for 2006-07
	Srishti G- Cube Awards for Good Green Governance for the year 2005-06
	Annual Greentech Environment Excellence Silver Award in Hydropower Sector by Greentech Foundation, New Delhi for Environment Management in Hydropower stations/projects for Region II, Banikhet for the year 2006
	Meritorious Award by SCOPE for Corporate Social Responsibility and Responsiveness for the year 2005-06
	Power HR Forum Award for Best Practices as a Corporate Citizen for the year 2005-06
	Best Enterprise Award – 2nd Prize by SCOPE – Forum of Women in Public Sector for

Year	Award/Recognition
	Women Empowerment Initiatives for the year 2007
	Amity Award for Best Corporate Social Responsibility Practices for the year 2007
	Performance Excellence Award (Certificate of Excellence) by Indian Institution of Industrial Engineering for Financial and Operational Strength for the year 2005-06
2008	B.M.L. Munjal Award for Excellence in Learning and Development for the year 2007
	Golden Peacock Award to Chamera Power Station I for Occupational Health and Safety for the year 2008 by the World Environment Foundation
	Performance Excellence Award (Certificate of Merit) by the Indian Institution of Industrial Engineering for Financial and Operational Strength for the year 2006-07
	Special Jury Award at Asia Pacific Human Resource Management Congress for Innovative Human Resources Practices for 2007-08
	Greentech Environment Excellence Award (Silver Award) 2008 awarded to Tanakpur Power Station by the Greentech Foundation, New Delhi
	Water Digest award for Best Water Management-PSU for 2007-08
	SCOPE Meritorious Award for Best Practices in Human Resource Management for 2006-07
2009	TERI Corporate Environmental Award 2009
	Performance Excellance Award by the Indian Institution of Industrial Engineering
	Gold Medal for Outstanding Contribution in Enhancing the Image of India by the Institute of Economic Development
	Amity Award for Best Corporate Social Responsibility for 2008

Certifications

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

Year	Certification
2008	PAS 99: 2006 Certificate of Registration by the BSI Management Systems for the Integrated Management System originally registered on July 26, 2008 and valid until July 25, 2011 for: ▪ all activities related to planning, investigation, design and engineering, financing, procurement of works and services for execution, commissioning, operation and maintenance of hydroelectric power projects at corporate office complex; and ▪ service activities including canteen, operation of D.G. sets, security, horticulture and medical. BS OHSAS 18001: 2007 Certificate of Registration by the BSI Management Systems for Occupational Health and Safety Management System which was originally registered on July 26, 2008 and valid until July 25, 2011 for the following scope: ▪ all activities related to planning, investigation, design and engineering, financing, procurement of works and services for execution, commissioning, operation and maintenance of hydroelectric power projects at corporate office complex; and ▪ service activities including canteen, operation of D.G. sets, security, horticulture and medical. ISO 9001: 2000 Certificate of Registration by the BSI Management Systems for the Quality Management System which was originally registered on July 26, 2008 and valid until July 25, 2011 for the following scope: ▪ all activities related to planning, investigation, design and engineering, financing, procurement of works and services for execution, commissioning, operation and maintenance of hydroelectric power projects at corporate office complex; and ▪ service activities including canteen, operation of D.G. sets, security, horticulture etc for the office. ISO 14001: 2004 Certificate of Registration by the BSI Management Systems for the Environmental Management System which was originally registered on July 26, 2008 and valid until July 25, 2011 for the following scope: ▪ all activities related to planning, investigation, design and engineering, financing,

Year	Certification
	procurement of works and services for execution, commissioning, operation and maintenance of hydroelectric power projects at corporate office complex; and ▪ service activities including canteen, operation of D.G. sets, security, horticulture etc for the office.

Our Main Objects

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

Particulars	Clause	
Development of Power	1.(a)(1)	To plan, promote and organise an integrated and efficient development of power in all its aspects through conventional and non-conventional Sources in India and Abroad subject to clause 1(b) including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution, trading and sale of power generated at stations in accordance with the national economic policy and objectives laid down by the Central Government from time to time and release of water and other needs to the State Government as per the agreed parameters.
	(b)(2)	To plan, promote and organise an integrated and efficient development of thermal power in all its aspects through its subsidiary Company i.e. Narmada Hydroelectric Development Corporation Limited including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution, trading and sale of power generated at Stations.
	(c)(3)	To undertake, where necessary, the construction of inter-state transmission lines and ancillary works for timely and coordinated inter-state exchange of power.
Co-ordination and Control	2.	To coordinate the activities of its subsidiaries to determine their economic and financial objectives/targets and to review, control, guide and direct their performance with a view to secure optimum utilisation of all resources placed at their disposal.
Agent of Public Sector-Financial Institutions	3.	To act as an agent of Government/Public Sector financial institutions, to exercise all the rights and powers exercisable at any meeting of any Company engaged in the planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation, maintenance of Power Stations and Projects, transmission, distribution, trading and sale of power in respect of any shares held by the Government, Public financial institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries.
Manufacturing, Trading and other business	4.	To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution and sale of power, power development, including forward, backward or horizontal integration ancillary and other allied industries and for that purpose

Particulars	Clause	
		to install, operate and manage all necessary plants, establishments and works.

[(1)] Amended vide special resolution through postal ballot passed on March 19, 2009.
[(2)] Inserted vide special resolution through postal ballot passed on March 19, 2009.
[(3)] Renumbered vide special resolution through postal ballot passed on March 19, 2009.

Changes in our Memorandum of Association

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

Date of Shareholder Resolution	Details
September 30, 1981	The authorised share capital of our Company was increased from Rs. 2,00,00,00,000 comprising 20,00,000 Equity Shares of Rs. 1,000 each to Rs. 4,00,00,00,000 comprising 40,00,000 Equity Shares of Rs. 1,000 each.
December 30, 1985	The authorised share capital of our Company was increased from Rs. 4,00,00,00,000 comprising 40,00,000 Equity Shares of Rs. 1,000 each to Rs. 8,00,00,00,000 comprising 80,00,000 Equity Shares of Rs. 1,000 each.
August 28, 1989	The authorised share capital of our Company was increased from Rs. 8,00,00,00,000 comprising 80,00,000 Equity Shares of Rs. 1,000 each to Rs. 13,00,00,00,000 comprising 1,30,00,000 Equity Shares of Rs. 1,000 each.
September 28, 1990	The authorised share capital of our Company was increased from Rs. 13,00,00,00,000 comprising 1,30,00,000 Equity Shares of Rs. 1,000 each to Rs. 25,00,00,00,000 comprising 2,50,00,000 Equity Shares of Rs. 1,000 each.
June 17, 1994	The registered office of our Company was changed from Delhi to its present registered office at 'NHPC Office Complex', Sector - 33, Faridabad 121 003, Haryana
March 17, 1997	The authorised share capital of our Company was increased from Rs. 25,00,00,00,000 comprising 2,50,00,000 Equity Shares of Rs. 1,000 each to Rs. 35,00,00,00,000 comprising 3,50,00,000 Equity Shares of Rs. 1,000 each.
September 18, 1998	The authorised share capital of our Company was increased from Rs. 35,00,00,00,000 comprising 3,50,00,000 Equity Shares of Rs. 1,000 each to Rs. 50,00,00,00,000 comprising 5,00,00,000 Equity Shares of Rs. 1,000 each.
May 28, 1998	The word, "wind and tidal" were added to the main objects.
September 24, 1999	The word, "geo-thermal and gas" were added to the main objects.
September 24, 1999	The word, "and release of water and other needs to the State Government as per the agreed parameters" were added to the main objects.
September 27, 2000	The authorised share capital of our Company was increased from Rs. 50,00,00,00,000 comprising 5,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 70,00,00,00,000 comprising 7,00,00,000 Equity Shares of Rs. 1,000 each.
December 31, 2002	The authorised share capital of our Company was increased from Rs. 70,00,00,00,000 comprising 7,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,00,00,00,00,000 comprising 10,00,00,000 Equity Shares of Rs. 1,000 each.
January 27, 2004	The authorised share capital of our Company was increased from Rs. 1,00,00,00,00,000 comprising 10,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,50,00,00,00,000 comprising 15,00,00,000 Equity Shares of Rs. 1,000 each.
March 13, 2007	The authorised share capital of our Company was changed and split from Rs. 1,50,00,00,00,000 comprising 15,00,00,000 Equity Shares of Rs. 1,000 each to Rs. 1,50,00,00,00,000 comprising 15,00,00,00,000 Equity Shares of Rs. 10 each.
July 17, 2007	The words "in India and abroad", "trading" and "including forward, backward or horizontal integration" were added to the main objects.
March 19, 2009	▪ The words "conventional and non-conventional sources in India and Abroad subject to clause 1(b)" were added to Clause 1(a) of the main objects. ▪ The following clause was inserted as Clause 1(b) to the main objects:

Date of Shareholder Resolution	Details
	1(b) "To plan, promote and organise an integrated and efficient development of thermal power in all its aspects through its subsidiary Company i.e. Narmada Hydroelectric Development Corporation Limited including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution, trading and sale of power generated at stations." ▪ Earlier Clause 1(b) renumbered to Clause 1(c) in the main objects.

Collaborations

Our Company has not entered into any collaboration with any third party as per clause 6.9.2.1(c) of the SEBI Guidelines.

Strategic Partners

Our Company has not entered into any arrangements with any strategic partners within the meaning of the SEBI Guidelines.

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 Guidelines.

Shareholder Agreements

Our Company has not entered into any shareholder agreements.

Other Agreements

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

Subsidiary

NHDC Limited

Pursuant to an MoU dated May 16, 2000, our Company and the government of Madhya Pradesh have incorporated a joint venture company called the Narmada Hydroelectric Development Corporation Limited. Narmada Hydroelectric Development Corporation Limited was incorporated on August 1, 2000 as a private limited company. It was converted into a public limited company with effect from May 23, 2003 and has its registered office at NHDC Parisar, Shyamla Hills, Bhopal, Madhya Pradesh. The main objects of Narmada Hydroelectric Development Corporation Limited are to, *inter alia,* plan, promote and organise an integrated and efficient development of power through all conventional, non conventional/renewable energy sources in India. The name of our Subsidiary has been changed from Narmada Hydroelectric Development Corporation Limited to NHDC Limited w.e.f. June 24, 2009. Further, NHDC Limited is a 'material non-listed Indian subsidiary' of our Company in terms of Clause 49 of the Listing Agreement on the basis of Fiscal 2009 accounts.

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

Shareholding Pattern

S. No.	Name of the shareholder	Number of equity shares (of face value of Rs. 1,000 each)	Percentage
1.	NHPC Limited	1,00,24,197	51.08
2.	Mr. S.K. Garg*	1	Negligible
3.	Mr. K.M. Singh*	1	Negligible
4.	Mr. R.K. Taneja*	1	Negligible
5.	Government of Madhya Pradesh	96,01,598	48.92
6.	Mr. P. Bhargava**	1	Negligible
7.	Mr. A.K. Srivastava**	1	Negligible
	Total	**1,96,25,800**	**100.00**

**As nominees of our Company.*
***As nominees of Government of Madhya Pradesh.*

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

Board of Directors

The board of directors of NHDC comprises of:

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

Mr. R. Jeyaseelan, an independent director on our Company's Board has been appointed on the board of directors of NHDC in compliance with Clause 49 of the Listing Agreement.

Financial Performance

The audited financial results of Fiscals 2009, 2008 and 2007 are set forth below.

(Rs. in crore except share data)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Total revenue	861.01	768.07	766.68
Profit/loss after tax	306.16	329.61	454.31
Share capital/Share capital deposit	1,962.58	1,962.58	1,962.58
Reserves and surplus (excluding revaluation Reserves/capital grant)	1,044.44	792.01	505.31
Earning per share (Rs.)	156.00	167.95	231.48
Book value per share (Rs.)	1,534.19	1,405.40	1,259.13

Joint Ventures

Memorandum of understanding with the government of Madhya Pradesh

The GoI and the government of Madhya Pradesh entered into an MoU on May 16, 2000 in relation to certain power sector reforms that the government of Madhya Pradesh will implement with the support of the GoI and to affirm their joint commitment to exploit the hydroelectric potential of the Narmada basin by completing Indira Sagar and Omkareshwar hydroelectric projects. This MoU provides that the Indira Sagar and Omkareshwar projects would be completed through a joint venture between the government of Madhya Pradesh and our Company. The salient terms of the MoU are set out below:

- Our Subsidiary NHDC is responsible for executing and thereafter operating unit I and unit III of Indira Sagar and Omkareshwar hydroelectric projects.

- The equity contribution by the government of Madhya Pradesh shall be by way of expenditure incurred by it so far in units I and III of Indira Sagar and Omkareshwar power stations. Further, the government of Madhya Pradesh will bear the cost of the irrigation canal network (unit II) of the two projects.

- Our Company has a major share i.e. not less than 51% of the shareholding in NHDC.

- The government of Madhya Pradesh has the right to purchase our Company’s shareholding in NHDC in accordance with mutually agreed terms.

- The government of Madhya Pradesh is entitled to 12% of the power generated by the projects, free of cost. Of the remaining portion, the government of Madhya Pradesh has the right to purchase power to the extent of its shareholding in NHDC and the balance power will be allocated by the GoI as per its policy. Further, the irrigation benefits arising out of the two projects shall accrue to the government of Madhya Pradesh. In addition, the government of Madhya Pradesh has rights over revenue receipts arising out of submergence of areas by projects and rights in fisheries, navigation, exploitation of tourism potential, etc.

- The joint venture NHDC shall have no objections to the implementation of the proposed Malwa Lift Irrigation Scheme by the government of Madhya Pradesh.

- The ownership of the two dams and the power houses vests in NHDC.

- No state taxes would be levied on account of transfer of ownership of unit I and unit III of the projects from the government of the Madhya Pradesh to the joint venture.

- NHDC would comply with the provisions of the Narmada Water Disputes Tribunal Award and the directions of the Narmada Control Authority, its various sub groups and the review committee of the Narmada Control Authority.

- The work of resettlement and rehabilitation of the oustees of the two projects is the joint responsibility of NHDC and the government of Madhya Pradesh. The entire cost incurred on this would be borne by NHDC.

However, the GoI at variance with its extant policy had allocated 100% power to the Government of Madhya Pradesh from both Indira Sagar and Omkareshwar power stations through approvals dated March 28, 2002 and May 29, 2003, respectively. Accordingly, Government of Madhya Pradesh has foregone supply of 12% free power.

Memorandum of Understanding with the government of Manipur

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

- Our Company shall have a share up to 74% and the government of Manipur atleast 26%. The benefits of the joint venture shall be shared by the respective parties in the portion of their actual contribution in the shareholding of the proposed joint venture.

- The government of Manipur shall be entitled to 12% of the power generated by the project free of cost, provided an additional grant of Rs. 100 crore is received by the government of Manipur, for the project from the Ministry of Finance, GoI or any other source. The government of Manipur would purchase the entire power from the project. The joint venture shall be allowed to sell power to other buyers in the event of non-fulfillment of the obligation by the parties.

- The ownership of the project shall vest with the joint venture.

- The government of Manipur has rights over the revenue receipts arising out of submergence of areas by projects and rights in fisheries, navigation and exploitation of tourism potential.

- The work of resettlement and rehabilitation of the oustees of the project would be the joint responsibility of the parties. The entire expenditure incurred on this account would be borne by the joint venture company.

- The right to purchase share holdings of the other party in the joint venture shall be in accordance with mutually agreed terms between the government of Manipur and our Company.

- The government of Manipur shall transfer to the joint venture free of cost on ownership basis the government land required for the permanent structure/works and which is necessary for the construction, operation and maintenance of project.

- The handing over and taking over of the ownership of the project to the joint venture shall be completed within three months from the date of inception of the joint venture company.

Pursuant to this MoU, our Company entered into a promoters' agreement with the government of Manipur on September 26, 2008 to incorporate the joint venture company, the salient terms of which are set out below:

- The joint venture company shall plan, promote and organise an integrated and efficient development of Loktak Downstream Hydroelectric Project in all its aspects in the State of Manipur including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution, trading and sale of power generated at Loktak Downstream Power Station in accordance with the economic policy and objectives laid down by the Central/State Government from time to time.

- The authorised share capital of the joint venture company shall be Rs. 230 crore divided into 23 crore equity shares of Rs. 10 each with initial paid up share capital of Rs. 60 crore which shall be subscribed no later than 60 days from incorporation of joint venture company in the proportion as set out below:

- NHPC: 74%
- Government of Manipur: 26%

- The board of directors of the joint venture company shall have not less than five and not more than 15 directors. Initially, the board of directors shall have five directors where three directors shall be nominated by NHPC, one director shall be nominated by government of Manipur, and one director shall be nominated by the MoP.

- Neither party is permitted to sell, transfer, assign, mortgage or encumber shareholding in the joint venture company till the entire equity capital required is fully paid up and the project is successfully commissioned.

- In the event any party desires to sell or dispose of the whole or part of its shareholding in the joint venture company, the selling party shall be required to offer those shares to the other party by written notice, at least two months in advance setting out the number of shares offered together with the price desired. The other party shall, within two months of the receipt of transfer notice communicate acceptance or otherwise and shall nominate buyer(s).

- This agreement is irrevocable until the entire equity capital required for the project is fully paid up and project is successfully commissioned unless both parties agree to terminate.

- The parties undertake to ensure that all information received relating to each other or the joint venture company, which is not in public domain, shall be treated as confidential.

The joint venture company proposed to be incorporated pursuant to the above MoU and promoters' agreement has not yet been incorporated.

Memorandum of agreement with the government of Arunachal Pradesh

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

- Our Company shall pay an amount of Rs. 225 crore as advance to the government of Arunachal Pradesh for the Dibang multipurpose project, Tawang hydroelectric project stage-I and Tawang hydroelectric project stage-II. This amount is recoverable/adjustable, together with interest at 9 % p.a. to be compounded annually from the value of free power, to which the State government is entitled as tariff from the first hydroelectric project commissioned by our Company and shall be continued to be adjusted from other projects until the total amount paid in advance to the State government together with interest is adjusted/recovered.

- Our Company shall ensure that all statutory clearances are obtained from the concerned authorities. The government of Arunachal Pradesh shall facilitate our Company in implementation of its plan and various clearances.

- Our Company is not allowed to sell and/or transfer the power plant to any other party without prior consultation with the government of Arunachal Pradesh. However, our Company retains the right to mortgage the power plant for availing of financial assistance.

- Our Company is not allowed to transfer the project to any third party for development without prior consent of the government of Arunachal Pradesh.

- Our Company will not have any objection to the implementation by the State government of other schemes proposed to be executed in the upstream and downstream as also in the vicinity of the project, provided that the same does not adversely affect the viability and functioning of the Dibang multipurpose project.

- The ownership of the project shall vest with our Company. However, it would be the prerogative of the Company to execute the project independently or through joint venture participation with any party.

- Our Company shall be responsible for the trading and sale of power generated from the project and the government of Arunachal Pradesh will not be in any way responsible for the same.

- The total land required for the Project shall be transferred to our Company by the government of Arunachal Pradesh on a perpetual lease basis against payment of land revenue as per approved rates of the government of Arunachal Pradesh.

- Our Company shall pay royalties on forest produces, river bed materials and any other construction materials and all statutory taxes as applicable to GoI and government of Arunachal Pradesh.

- The work of resettlement and rehabilitation of the oustees of the project shall be executed by the government of Arunachal Pradesh. The entire cost incurred on this would be borne by our Company.

- Memorandum of agreement in respect of the Subansiri Lower Hydroelectric Project shall be signed by the parties subsequent to the resolution of a pending litigation and the government of Arunachal Pradesh undertakes to provide all possible assistance and support to our Company for early execution of this project. For details see "***Outstanding Litigation and Material Developments- Pending Litigation filed against our Company- Environmental Litigation***" on page 320.

Memorandum of understanding with the Governor of Jammu and Kashmir through the Secretary to the Government, Power Development Department, Government of Jammu and Kashmir, Jammu & Kashmir State Power Development Corporation Limited and PTC India Limited.

Our Company entered a memorandum of understanding on October 10, 2008 with the GoJK, JKSPDC, and PTC to construct, commission and operate projects to harness the hydroelectric potential of Pakal Dul and other hydro projects with aggregate installed capacity of about 2,100 MW in the Chenab River Basin in accordance with the Indus Waters Treaty, through a joint venture. The salient terms of the MoU are set forth below:

- NHPC and JKSPDC shall each have a share of 49% of the total shareholding of the joint venture. Balance 2% equity will be infused by PTC as a strategic partner to facilitate trading of surplus power.

- The joint venture would not have any objection to GoJK or JKSPDC raising their share of equity from any financial institutions or banks on the basis of securitisation of the GoJK or JKSPDC's respective shares of power from the projects to be implemented under this MoU.

- GoJK shall make available land as required for projects by joint venture company on leasehold basis for a maximum period of 90 years. GoJK shall have the option to contribute towards the share equity of JKSPDC in the joint venture company by way of either cost of all types of government lands; and development of such infrastructure up to the project sites which is part of the estimates of the respective projects.

- JKSPDC and NHPC would have right to purchase shareholding of the other partner in the joint venture mutually agreed.

- Unless otherwise agreed, none of the parties shall sell, assign, mortgage or otherwise encumber its shareholding/funding rights in the joint venture company for initial period of three years after the incorporation of the joint venture. After the lock-in period as provided above no party shall part with otherwise transfer either fully or any part, its share in joint venture unless it has been first offered to the other parties.

- JVC shall provide 12% power free of cost to GoJK and 1% free power for local area development. Further, out of balance 87% GoJK would have right to purchase power from joint venture in proportion to the share of JKSPDC in the equity of the joint venture at the price determined as per regulatory norms.

- The chairman of the joint venture shall be a non-executive director to be appointed by GoJK. The managing director and the joint managing director shall be nominees of our Company and JKSPDC respectively. The board of directors of the joint venture company shall have equal representatives from our Company and JKSPDC.

- Cost of projects will be met by way of debt-equity norms in accordance with regulatory guidelines.

- Project will be developed on build, own, operate and maintain basis through JVC.

- This MoU shall be valid for two years or till incorporation whichever earlier.

Joint Venture Agreement with NTPC, Power Finance Corporation Limited and Tata Consultancy Services Limited

The MoP by letter (Ref. No. F. No. 16/25/2001-DO (NHPC)) dated November 30, 2007 granted in-principle consent to the proposal of setting up a joint venture to be co-promoted by our Company, NTPC, PGCIL, Power Finance Corporation Limited ("**PFC**"), PTC and NCDEX for development of a power exchange.

Our Company has entered into a joint venture agreement dated September 3, 2008 with NTPC, PFC, and Tata Consultancy Services Limited ("**TCS**"), to jointly incorporate a public limited company to carry on the business of a power exchange to facilitate, promote, assist, regulate and manage dealings in power and to establish, operate and manage a specialised automated electronic platform with modern facilities to facilitate nationwide trading in contracts for buying and selling all forms of electrical energy, ancillary services, transmission rights including derivatives thereof, and clearing and settlement of trades. The salient terms of the joint venture agreement are set out below:

- The joint venture would have an authorised share capital of Rs. 50 crore, 50% of which would be shared initially by the promoters in equal proportion. The joint venture would also be subject to strict compliance of guidelines issued by CERC and all the other policy guidelines issued by the Government from time to time.

- The joint venture company's initial authorised share capital would be Rs. 50 crore divided into 5 crore equity shares of Rs. 10 each, subscribed to by our Company (16.67%), NTPC (16.67%) and PFC (16.66%) and TCS (50%). The parties agreed that after from receiving the certificate of commencement of business from the RoC, the joint venture company's shareholding shall be restructured such that TCS' 50% shareholding is brought down to 16.66% by issue of further share capital to our Company, NTPC, PFC and new investors.

- The shareholding in the joint venture company would always be such that 50% of the joint venture company's paid-up share capital shall be held by government entities including our Company, NTPC and PFC, and 50% shall be held by non-government or private entities including TCS. The parties are entitled to nominate one director each on the joint venture company's board, irrespective of the quantum of their shareholding, provided the shareholding of each party does not fall below 10% of the joint venture company's equity paid-up share capital.

- The parties have agreed that the joint venture company would meet its own financial requirements without recourse to the parties. The parties' financial liability to this agreement shall be limited to any unpaid amount of the share capital agreed to be subscribed to by the parties in the agreed proportion.

- Certain matters requiring affirmative vote of the majority of directors, which majority would include at least one nominee director each of our Company, NTPC, PFC and TCS include the joint venture company's winding up, any matter relating to the transfer, sale, lease, exchange, mortgage or disposal otherwise of the whole or substantially the whole of the undertaking of the joint venture company or a part thereof, increase or alteration in the joint venture company's authorised or issued share capital, induction of new investors, entering into partnership or arrangement of sharing profits, formation of subsidiary companies, grant of options over any shares in the joint venture company's share capital, taking a loan or issue of debt or other instrument carrying right or option to convert the whole or part thereof or any accrued interest thereon into the joint venture company's shares.

- No party, directly or through its affiliates or associates would compete with the business activities of the joint venture company without the prior written consent of all the remaining parties. In case the affiliates or associates of any party take up shareholding with board seat or management control in any other power exchange, such party would relinquish its rights to nominate a director on the joint venture company's board of directors.

- Unless otherwise mutually agreed among the parties, none of the parties would transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights in the joint venture company for an initial lock-in period of five years from the date of commencement of business or the date when the joint venture company issues shares to the public, whichever is earlier. After the lock-in period, no party would sell or otherwise transfer all or any part of the shares owned by it in the joint venture company 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.

- If any person purports to acquire any of the shares or any interest therein from a party or its associate in a manner not specifically permitted by this agreement, the remaining parties or any person nominated by the remaining parties would have the right but not the obligation to purchase any or all of such default shares purported to have been thus acquired.

- The agreement may be terminated in event, including 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 for which reasonable compensation is not paid.

National Power Exchange Limited

Pursuant to the aforementioned agreement, a joint venture company, National Power Exchange Limited ("**NPEX**"), was incorporated on December 11, 2008 under the Companies Act. The registered office of NPEX is situated at Core 7, SCOPE Complex, 7, Institutional Area, Lodi Road, New Delhi 110 003. NPEX is authorised by its memorandum of association to, *inter alia*, carry on the business of a power exchange and to facilitate, promote, assist, regulate and manage in the public interest, dealings in electrical power of all kinds.

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

Shareholding pattern

Name of shareholder	Number of equity shares of Rs. 10 each	Percentage
TCS	25,00,000	50.00
NTPC	8,33,200	16.66
NHPC	8,33,500	16.67
PFC	8,33,000	16.66
Mr. Kamal Kumar Agarwal	100	Negligible
Mr. Nand Kishore Sharma	100	Negligible
Mr. Kristam Siva Kumar	100	Negligible
Total	**50,00,000**	**100.00**

**As nominees of NTPC.*

Board of Directors

The board of directors of NPEX comprises Mr. Kamal Kumar Agarwal, Mr. Radhakrishnan Nagrajan, Mr. Kamal Kapoor, and Mr. Jagdish Raj Bhandari Mr. Kamal Kapoor is our nominee on the board of NPEX.

Financial Performance

The audited financial results for Fiscals 2009, 2008 and 2007 do not exist since the company was incorporated in Fiscal 2009. However, audited financials for the period from the date of incorporation to March 31, 2009 are available, which are set forth below.

(Rs. in crore except per share data)

Particulars	Period ended March 31, 2009
Total revenue	0.06
Profit/loss after tax (as restated)	(0.13)
Share capital/Share capital deposit	5.00
Reserves and surplus (excluding revaluation Reserves/capital grant)	0.00
Earning per share (Rs.)	0.00
Book value per share (Rs.)	9.20

Joint venture agreement with NTPC Limited, PGCIL and Damodar Valley Corporation

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, NTPC, Powergrid Corporation of India Limited ("**PGCIL**") and Damodar Valley Corporation ("**DVC**") for setting up a short circuit testing facility and other facilities as may be required. The joint venture would have an authorised share capital of Rs. 10 crore, 10% of which would be shared initially by the promoters in equal proportion.

In furtherance of the same, the Company entered into a joint venture agreement dated April 8, 2009 with NTPC, PGCIL and DVC to jointly incorporate a private limited company to set up a laboratory for short circuit testing and other facilities as may be required for the same and to pursue its objects to be elaborated in the memorandum of association of the joint venture company, the salient terms of which are set forth below:

- The joint venture company's initial authorised share capital shall be Rs. 10 crore divided into 1 crore equity shares of Rs. 10 each, subscribed to by our Company (25%), NTPC (25%), PGCIL (25%) and DVC (25%). Authorised share capital of the joint venture company may be increased to Rs. 83 crore and subsequently enhanced to meet the equity requirements for completion of research as and when necessary, in accordance with the provisions of the articles of association of the joint venture company and the Companies Act.

- The parties are entitled to nominate one director each on the joint venture company's board, irrespective of the quantum of their shareholding, provided the shareholding of each party does not fall below 10% of the joint venture company's equity paid-up share capital.

- The parties have agreed that the joint venture company shall meet its own financial requirements without recourse to the parties. The parties' financial liability to this agreement shall be limited to any unpaid amount of the share capital agreed to be subscribed to by the parties in the agreed proportion.

- Certain matters requiring affirmative vote of the majority of directors, which majority shall include at least one nominee director each of our Company, NTPC, PGCIL and DVC include the joint venture company's winding up, any matter relating to the transfer, sale, lease, exchange, mortgage or disposal otherwise of the whole or substantially the whole of the undertaking of the joint venture company or a part thereof, increase or alteration in the joint venture company's authorised or issued share capital, induction of new investors, entering into partnership or arrangement of sharing profits, formation of subsidiary companies, grant of options over any shares in the joint venture company's share capital, taking a loan or issue of debt or other instrument carrying right or option to convert the whole or part thereof or any accrued interest thereon into the joint venture company's shares.

- No party, directly or through its affiliates or associates shall compete with the business activities of the joint venture company without the prior written consent of all the remaining parties.

- Unless otherwise mutually agreed among the parties, none of the parties shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights in the joint venture company for an initial lock-in period of five years from the date of incorporation of the joint venture company or establishment of laboratory whichever is later. After the lock-in period, no party shall sell or otherwise transfer all or any part of the shares owned by it in the joint venture company to any person not being an affiliate or associate unless such shares have first been offered to the remaining parties in proportion of their respective shareholding.

- The agreement may be terminated in event, including 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.

National High Power Test Laboratory Private Limited

Pursuant to the aforementioned agreement, a joint venture company, National High Power Test Laboratory Private Limited ("**NHPTL**"), was incorporated on May 22, 2009 under the Companies Act. The registered office of NHPTL is situated at NTPC Bhavan, Core 7, SCOPE Complex, 7, Institutional Area, Lodi Road, New Delhi 110 003. NHPTL is authorised by its memorandum of association to, *inter alia*, plan, promote, organise, establish, construct, integrate, and efficient development of on-line high power test laborotary facility in India and/or abroad for testing and certification of short circuit and other testing of electrical equipments.

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

Shareholding pattern

Name of shareholder	Number of equity shares of Rs. 10 each	Percentage
NTPC	2,50,000	25.00
NHPC	2,50,000	25.00
PGCIL	2,50,000	25.00
DVC	2,50,000	25.00
Total	**10,00,000**	**100.00**

Board of Directors

The board of directors of NHPTL comprises Mr. N.N. Mishra, Mr. A.K. Chatterjee, Mr. Nain Singh, and Mr. M.C. Bhatnagar. Mr. Nain Singh is our nominee on the board of NHPTL.

Financial Performance

Audited financial results for Fiscals 2009, 2008 and 2007 do not exist since the company was incorporated in Fiscal 2010.

Entities in which our Company has equity investment

PTC India Limited

Our Company holds equity investment in and is one of the promoters of PTC (formerly known as Power Trading Corporation of India). PTC was incorporated under the Companies Act on April 16, 1999 and received its certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancillary services.

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

Shareholding Pattern

S. No.	Name of the shareholder	Number of equity shares of Rs. 10 each	Percentage
1.	NHPC Limited	1,20,00,000	4.08
2.	NTPC Limited	1,20,00,000	4.08
3.	Power Finance Corporation Limited	1,20,00,000	4.08

4.	Power Grid Corporation of India Limited	1,20,00,000	4.08
5.	Others including public	24,60,84,600	83.68
	Total	**29,40,84,600**	**100.00**

Board of Directors

The board of directors of PTC comprises:

1. Mr. T.N. Thakur (Chairman and Managing Director);
2. Mr. Shashi Shekhar (Whole-time Director);
3. Mr. Deepak Amitabh (Whole-time Director);
4. Mr. M.K. Goel (nominee of PFC);
5. Mr. R.G. Yadav (nominee of PGCIL);
6. Mr. I.J. Kapoor (nominee of NTPC);
7. Mr. A.B.L. Srivastava (nominee of NHPC);
8. Mr. Sudhir Kumar (Government Nominee Director);
9. Mr. M.S. Verma (Independent Director);
10. Mr. G.P. Gupta (Independent Director);
11. Mr. D.P. Bagchi (Independent Director);
12. Mr. P. Abraham (Independent Director);
13. Mr. Satish Mehta (Independent Director); and
14. Mr. S. Balachandran (Independent Director).

Financial Performance (Standalone)

(Rs. in crore except share data)

Particulars	For the nine month period ended December 31, 2008	Fiscal 2008	Fiscal 2007
Sales (including rebate on purchase of power, service charges and surcharge)	5,351.20	3,906.15	3,766.66
Other income (including income from consultancy services etc.)	77.87	43.16	19.29
Purchase (including rebate on sale of power, scheduling and handling charges)	5,307.33	3,869.36	3,721.65
Employee Cost	10.18	7.99	5.70
Other expenses etc.	13.39	9.94	9.46
Profit before amortisation, depreciation and prior period item	98.17	62.02	49.14
Amortisation and Depreciation	4.67	2.95	3.28
Prior period expenses/(Income)	0.09	0.14	0.14
Profit before tax	93.41	58.93	45.72
Provision for taxation (including deferred tax income)	17.42	10.22	10.63
Profit after tax	75.99	48.71	35.09
Equity share capital	2,27,41,90,000	2,27,41,90,000	1,50,00,00,000
Dividend (including dividend tax)	-	26.61	17.55
Reserves (excluding revaluation reserves)	1,332.56	1,252.14	115.57
Earnings per share (in Rs.)	3.34	2.93	2.34
Book value per share (in Rs.)	68.59	65.06	17.59

Share Quotation

The shares of PTC are listed on the NSE and the BSE.

Highest and lowest price on the NSE in the last six months:

Month	High (Rupees)	Date	Low (Rupees)	Date
January 2009	75.60	January 5, 2009	63.30	January 15, 2009
February 2009	71.80	February 4, 2009	55.60	February 24, 2009
March 2009	72.35	March 30, 2009	55.00	March 4, 2009
April 2009	83.00	April 6, 2009	68.20	April 8, 2009
May 2009	92.95	May 29, 2009	68.60	May 14, 2009
June 2009	100.20	June 1, 2009	80.25	June 8, 2009

Closing price on the NSE as of June 30, 2009 was Rs. 92.60 per share.

Market capitalisation on the NSE as of June 30, 2009 was Rs. 2,723.22 crore.

Highest and lowest price on the BSE in the last six months:

Month	High (Rupees)	Date	Low (Rupees)	Date
January 2009	75.70	January 5, 2009	63.10	January 23, 2009
February 2009	71.00	February 4, 2009	55.25	February 26, 2009
March 2009	75.00	March 27, 2009	55.10	March 4, 2009
April 2009	80.90	April 6, 2009	68.00	April 8, 2009
May 2009	93.00	May 26, 2009	69.00	May 14, 2009
June 2009	100.00	June 1, 2009	80.20	June 8, 2009

Closing price on the BSE as of June 30, 2009 was Rs. 92.55 per share.

Market capitalisation on the BSE as of June 30, 2009 was Rs. 2,721.75 crore.

Promise v. Performance

PTC made an initial public offer in March 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC. The issue proceeds have been utilised for the said purpose.

PTC has allotted 7,74,19,000 equity shares of Rs. 10 each at the issue price of Rs. 155 per equity share aggregating an issue size of Rs. 1,199.99 crore in favour of QIBs on January 15, 2008 as per Chapter XIII-A of SEBI Guidelines. PTC intended to use the net proceeds of the above issue primarily for enhancing its capital adequacy, capitalisation of subsidiary companies, investment in fuel intermediation, investments in entities in the energy sector, meeting working capital requirements, business related capital expenditure and any other permissible purpose as may be approved by its board of directors.

PTC has further allotted 6,66,65,600 equity shares of Rs. 10 each at the issue price of Rs. 75 per equity share aggregating an issue size of Rs. 499.99 crore in favour of QIBs on May 27, 2009 as per Chapter XIII-A of the SEBI Guidelines. PTC currently intends to use the net proceeds of this issue for investments in one or more businesses in the energy sector or the related energy infrastructure sector, directly or indirectly through various investment structures/vehicles that PTC may consider appropriate. Further, PTC seeks to pursue opportunities at various stages of the business growth cycle including providing seed capital to businesses and may invest in businesses with which PTC has entered into or may in the future enter into, PPAs.

National Power Exchange Limited

Pursuant to the joint venture agreement dated September 3, 2008, a joint venture company, NPEX was incorporated on December 11, 2008 under the Companies Act. For further details see "***History and Certain Corporate Matters – Joint Ventures***" on page 136.

National High Power Test Laboratory Private Limited

Pursuant to the joint venture agreement dated April 8, 2009, a joint venture company, NHPTL was incorporated on May 22, 2009 under the Companies Act. For further details see "***History and Certain Corporate Matters – Joint Ventures***" on page 136.

OUR MANAGEMENT

Our Articles of Association require us to have not less than four and not more than 15 Directors. We presently have 12 Directors, of which five are whole-time Directors, one is a Government nominee Director and six are independent 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, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
Mr. S.K. Garg S/o Late Mr. R.P. Garg Designation: Chairman and Managing Director Occupation: Service DIN: 00055651	58	K-17/4, DLF City Phase II, Gurgaon 122 002, Haryana, India	▪ NHDC
Mr. A.B.L. Srivastava S/o Late Mr. Bisvnath Behari Lal Srivastava Designation: Director (Finance) Occupation: Service DIN: 01601682	53	C - 301, Stellar Park, C - 58/24, Sector - 62, Gautam Budha Nagar, Noida 201 306, Uttar Pradesh, India	▪ PTC India Limited
Mr. D.P. Bhargava S/o Late Mr. R.N. Bhargava Designation: Director (Technical) Occupation: Service DIN: 01277269	53	House No. 176, Sector 30, Faridabad, Haryana 121 003, India	▪ Nil
Mr. J.K. Sharma S/o Late Mr. W.R. Sharma Designation: Director (Projects) Occupation: Service DIN: 00387785	50	House No. 915, Sector 28, Faridabad, Haryana 121 008, India	▪ Nil
Mr. R.S. Mina S/o Late Mr. H.L. Mina Designation: Director (Personnel)	52	6081/1, Sector D-6, Vasant Kunj, New Delhi 110 070, India	▪ Nil

Name, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
Occupation: Service DIN: 00149956			
Mr. Jayant Kawale* S/o Mr. Srinivas Kawale Designation: Government Nominee Director Occupation: Service DIN: 00076038	53	D - I/72, Chanakyapuri, New Delhi 110 021, India	▪ Tehri Hydro Development Corporation Limited; ▪ Satluj Jal Vidyut Nigam Limited; ▪ NHDC; and ▪ North Eastern Electric Power Corporation Limited
Ms. Komal Anand W/o Mr. Arun Anand Designation: Independent Director Occupation: Retired DIN: 01909263	63	16, Nizamuddin East, IInd Floor, New Delhi 110 003, India	Nil
Mr. Arun Kumar Mago S/o Late Mr. Kidar Nath Mago Designation: Independent Director Occupation: Retired DIN: 01624833	64	E - 7, Nizamuddin West, New Delhi 110 013, India	▪ Yes Bank Limited; ▪ Hindustan Copper Limited; and ▪ Shipping Corporation of India Limited.
Mr. Raman Sidhu S/o Dr. Shivinder Singh Sidhu Designation: Independent Director Occupation: Service DIN: 00121906	51	606-B, The Aralias, Golf Club Road, DLF Phase V, Gurgaon, Haryana, India	▪ G4S Corporate Services Private Limited; ▪ Deutsche Post Bank Home Finance Limited; and ▪ RDS Agencies Private Limited
Mr. R. Jeyaseelan S/o Mr. A.J. Ratnasamy Designation: Independent Director Occupation: Retired DIN: 02143850	62	5, Senior Doctor's Residence, Holy Family Hospital, Okhla Road, New Delhi 110 025, India	▪ NHDC
Dr. Kuriakose Mamkoottam	63	101, Sakshara Apartments,	Nil

Name, Father's Name, Designation, Occupation and DIN	Age (years)	Address	Other Directorships
S/o Late Mr. Varghese Mamkoottam Designation: Independent Director Occupation: Service DIN: 02231128		A-3 Paschim Vihar, New Delhi 110 063, India	
Mr. K. Dharmarajan S/o Mr. D. Krishna Ayyar Designation: Independent Director Occupation: Retired DIN: 02322767	65	A-3, Sarvodaya Enclave, Sri Aurobindo Marg, New Delhi 110 017, India	▪ NTPC; and ▪ Infrastructure Professionals Enterprise Private Limited.

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

Details of Directors

Mr. S.K. Garg, 58 years, is our Chairman and Managing Director. Mr. Garg holds a bachelor's degree in commerce from Sri Ram College of Commerce, Delhi University. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of India. He has received the Centre for Excellence in Project Management and Project Management Associates Honarary Fellowship Award in 2008 and the Bharatiya Shiromani Puraskar from the Institute of Economic Studies in 2009. He has about 36 years of professional experience, which includes six years of experience in the power sector. Prior to joining our Company, he was the Executive Director (Finance) in Indian Oil Corporation Limited. He was appointed as our Director (Finance) w.e.f. July 1, 2003 and was further elevated to the post of Chairman and Managing Director w.e.f. January 23, 2007. He is also the Chairman and Managing Director of our Subsidiary, NHDC. As the Chairman and Managing Director, he heads our organisation and holds the overall charge of all activities of our Company.

Mr. A.B.L. Srivastava, 53 years, is our Director (Finance). He holds a master's degree in business finance and commerce. He is also a member of the Institute of Chartered Accountants of India. He has served in various organisations and has over three decades of varied experience in the field of finance. He joined Rural Electrification Corporation Limited ("**REC**") in the year 1999 as the Chief (Finance) and was promoted as the General Manager (Finance) in the year 2004. During his tenure at REC, he was closely associated with resource mobilisation, project evaluation as well as its initial public offering. He was also on the board of REC Power Distribution Company Limited, a wholly owned subsidiary of REC. He also served at Uttar Pradesh Financial Corporation as Deputy General Manager (Finance). He has also been a Lecturer at Banaras Hindu University, Varanasi and D.A.V. College, Kanpur. He is presently a member in the Finance Committee of Hidayatullah National Law University, Raipur, Chhattisgarh. He joined our Board on February 11, 2008. He is in charge of the finance, information technology and commercial divisions of our Company.

Mr. D.P. Bhargava, 53 years, is our Director (Technical). He holds a bachelor's degree in electrical engineering from the University of Roorkee. He has approximately 30 years of experience in the hydro power sector. While at our Company, he has been involved in the design, construction, testing and commissioning, operation and maintenance of various projects/power stations of our Company. He has also worked with Nathpa Jhakri Hydro Power Station of Satluj Jal Vidyut Nigam Limited and was also the chief Executive Director of our Subsidiary, NHDC. He has also served as the Executive Director (Projects) of our Company. He joined our Board on March 26, 2009. He is currently in charge of activities including design, engineering, contracts, planning, operation and maintenance, quality assurance and inspection in our Company.

Mr. J.K. Sharma, 50 years, is our Director (Projects). He holds a degree in civil engineering from the University of Indore. He is a member of the American Society of Civil Engineers and the Indian National Hydropower Association. He is also a fellow of the Institute of Engineers, India. He has over 29 years of experience in the hydro sector in India and abroad. Prior to joining our Company, he served as the Director (Civil) in the Satluj Jal Vidyut Nigam Limited. He is a recipient of the Rashtriya Gaurav Award and the Mother Teresa Excellence Award. He has published articles on the hydro industry in various Indian and international journals. He joined our Board on April 10, 2009. He is currently in charge of construction and survey and investigation projects of our Company.

Mr. R.S. Mina, 52 years, is our Director (Personnel). He holds a bachelor's degree in electrical engineering from Maulana Azad College of Technology, Bhopal and a master's degree in business administration having specialised in financial management and human resource development from Indira Gandhi National Open University ("**IGNOU**"). He has over 28 years of total work experience including 27 years in the power sector alone. Apart from handling technical assignments like design, engineering, construction, execution, testing and commissioning of transmission lines and hydro electric projects, he has also headed the human resource development, corporate communication, Rajbhasha and facility management divisions. He was working with our Company from May 1, 1981 to November 19, 1991, after which he joined PGCIL. He re-joined our Company on December 18, 1998. Prior to joining our Board, he served as the Executive Director (Consultancy and Business Development) of our Company. He joined our Board on April 28, 2009. He is in charge of all human resource activities, corporate communication, estate and facility management services and consultancy and business development.

Mr. Jayant Kawale, 53 years, is our Government Nominee Director. He holds a master's degree in German from Jawahar Lal Nehru University, New Delhi and a diploma in Public Administration from Ecole Nationale D'Administration, Paris. He is an Indian Administrative Service Officer from the 1981 batch of Maharashtra cadre. He has held key positions including those of Secretary (Energy), Government of Maharashtra; Chairman, Maharashtra State Electricity Board; Managing Director, State Industrial and Investment Corporation of Maharashtra; Chief Executive Officer of Maharashtra Industrial Development Corporation and Development Commissioner (Industries), Maharashtra. He has been the Joint Secretary, MoP, GoI since February 2007 where he is in charge of hydropower development. He is also the Chief Vigilance Officer of the Ministry. He joined our Board on September 6, 2007.

Ms. Komal Anand, 63 years, is our Independent Director. She holds a bachelor degree in arts from Lady Shri Ram College, Delhi University and master's degree in political science from Delhi University. She also holds a post graduate diploma in business management (marketing) and a master's degree in the history of arts. She joined the Indian Administrative Service in the year 1968 and belonged to the Haryana cadre. She has served in various positions in the State and Central Governments for about 38 years. As the Secretary, Ministry of Health and Education in the Haryana Government, she implemented new schemes for women and children including introduction of reproductive and child health programme in the state. She was also involved in all policy matters relating to family welfare, immunisation and malaria eradication programmes. She has also served as the Joint Secretary in the Ministry of Culture, GoI. She has also functioned as the Director General of the Archaeological Survey of India from 2000-2002 and implemented heritage projects and has been involved in the introduction of public-private partnership for the preservation of monuments. As the Secretary, Ministry of Company Affairs, she was involved in the preparation and introduction of Companies Amendment Act, 2006 into the Parliament and completed the implementation of e-governance with the launch of MCA 21 all across the country. She has also served as a member on the Board of SEBI. She joined our Board on April 2, 2008.

Mr. Arun Kumar Mago, 64 years, is our Independent Director. He holds a master's degree in physics and an M. Phil. degree in social sciences. He also holds diplomas in management and public finance from Paris and in public administration from Delhi. He joined the Indian Administrative Service in the year 1967. He has administrative and management experience of over 37 years and has worked in different capacities in both Central and State governments in several sectors including energy, power, port, urban infrastructure, industries, environment and forests. He has expertise in the fields of policy, planning and implementation in power, port and urban infrastructure sectors. He was also the former Chairman of Maharashtra State Electricity Board and the Mumbai Port Trust. He has also been the Managing Director of Maharashtra Petro Chemicals Corporation and the Commissioner of Food and Drug Administration. He retired in the year 2004 as the Chief Secretary, Government of Maharashtra. He joined our Board on April 3, 2008.

Mr. Raman Sidhu, 52 years, is our Independent Director. He holds a bachelor's degree in economics from St. Stephen's College, Delhi University. He is also qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales, U.K. He has an experience of 26 years in the field of investment and corporate banking in India and two years in insolvency and liquidation business in the United Kingdom. He has served as the Director, Corporate Affairs, India in Fidelity Fund Management Private Limited. Prior to this assignment, he was the senior Director, HSBC Securities and Capital Markets (India) Private Limited and has been associated with Hongkong and Shanghai Banking Corporation Limited for over nine years. Prior to that he was the Director, Corporate and Investment Banking with Barclays Bank Group in India. Before joining Barclays, he worked with Grindlays Bank in India and worked in various managerial capacities in personal banking, international finance and investment banking. He was on the panel of consultants with the Commonwealth Secretariat and has served on behalf of the Secretariat as an advisor to the Ministry of Industry, Government of Trinidad and Tobago. He has also been on the banking and finance committees of various key chambers of commerce in India including Federation of Indian Chambers of Commerce & Industry, Associated Chamber of Commerce and Industry in India, Bombay Chamber of Commerce, PHD Chamber of Commerce and Indian Merchant Chambers. He is also a member of the 'Core Group' on Corporate Governance Norms for Institutional Investors which was constituted by the National Foundation for Corporate Governance under the Ministry of Company Affairs, GoI, in cooperation with Confederation of Indian Industries. He joined our Board on April 7, 2008.

Mr. R. Jeyaseelan, 62 years, is our Independent Director. He obtained the degree of bachelor of engineering (civil) from the University of Madras in the year 1967. He also holds a master of technology degree in structural engineering from the Indian Institute of Technology, Madras. Further, he also obtained a postgraduate diploma in hydropower from the Norwegian Technical Institute, Trodheim in the year 1979. He has a wide experience of approximately 39 years in the field of water resources development, planning, design, monitoring and related research. His areas of expertise include planning and design of hydropower schemes, hydrological observations, flood forecasting and monitoring of projects. He joined the Central Water Commission in December 1969 as the Assistant Director. He has also been a member of several committees including Vice President, International Commission on Irrigation and Drainage. He has also worked with the Water and Power Consultancy Services (India) Limited over a period of seven years on consultancy assignments in India and abroad. He retired as the Chairman, Central Water Commission in November 2006. He is also a Director on the board of directors of our Subsidiary, NHDC. He joined our Board on April 23, 2008.

Dr. Kuriakose Mamkoottam, 63 years, is our Independent Director. He holds a master's degree in sociology from the Delhi School of Economics, University of Delhi. He also received his Ph.D. from the University of Delhi in 1977. He has experience of over 36 years in the field of human resource management and industrial relations. He is currently the Professor of Human Resource Management and Industrial Relations, Faculty of Management Studies, University of Delhi. He has served as director of the Centre for Applied Behavioural Sciences and Action Research and has also been a research and consulting faculty at the Sri Ram Centre for Industrial Relations and Human Resources. He has conducted extensive research and completed several projects in the areas of worker trade unionism, managerial unionism, ethno-agriculture, new technology and human resource management in India, South Asia and Europe. He has undertaken consulting and training for, *inter alia*, International Labour Organisation; Skills Development Fund (Sri Lanka), Nepal Industrial Relations Forum, Indian Oil Corporation Limited, Airport Authority of India, Planning Commission, GoI, Department of Posts. He was also the India - EEC Fellow at ESADE Business School, Barcelona in the year 1989-90. He has authored over 35 publications on labour and trade union issues. He joined our Board on June 17, 2008.

Mr. K. Dharmarajan, 65 years, is our Independent Director. He holds a bachelor's degree in physics from St. Stephen's College, University of Delhi, a master's degree in physics from University of Delhi and master of science degree in Energy Management and Policy from University of Pennsylvania, USA. A retired member of the Indian Administrative Service, he has approximately 37 years of diverse experience with expertise in the fields of trade and commerce, urban governance and poverty, energy, finance and administration. He has held several posts in the Central and State governments including those in the Ministry of Energy, GoI, Ministry of Urban Development, GoI, Tamil Nadu Electricity Board, Commercial Taxes Department, Government of Tamil Nadu. He has also served as the Director General of the Indian Institute of Foreign Trade and Chairman of the Expert Committee for Property Tax Reforms, Delhi Government and Hardship and Anomaly Committee for Property Tax, Delhi. He has also undertaken several consultancy assignments for United Nations agencies, World Bank, Asia Pacific Development Centre and other multi-lateral, national level organisations. He joined our Board on September 3, 2008.

In addition to the above, Mr. Gurdial Singh, Member (H), CEA has been engaged as a special invitee to attend our Board meetings with effect from June 22, 2009 and until further orders.

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution passed by our shareholders on September 15, 2004 in accordance with the provisions of the Companies Act, and our Board has been authorised to borrow money for the purposes of our Company upon such terms and conditions and with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 26,000 crore.

Details of Appointment of our Directors

Name of Directors	Appointment Letter/MoP Order	Term
Mr. S.K. Garg	Appointment through MoP Letter F. No. 9/2/2006-DO (NHPC) and Letter No. 20/1/2002-DO (NHPC) dated January 22, 2007 and February 15, 2007 respectively, w.e.f. January 23, 2007	Appointment as the Chairman and Managing Director of our Company w.e.f. January 23, 2007 till the date of his superannuation or until further orders, whichever event occurs earlier.

Name of Directors	Appointment Letter/MoP Order	Term
Mr. A.B.L. Srivastava	Appointment through MoP Letters F. No. 9/3/2006-NHPC dated January 3, 2008 and March 3, 2008	Appointment for a period of five years w.e.f. February 11, 2008 or till date of his superannuation or until further orders, whichever is earliest.
Mr. D.P. Bhargava	Appointment through MoP Letter F. No. 9/1/2007-NHPC dated March 25, 2009 and April 17, 2009	Appointment for a period of five years w.e.f. March 26, 2009 or till the date of his superannuation or until further orders, whichever is earliest.
Mr. J.K. Sharma	Appointment through MoP Letters F. No. 9/6/2006-DO (NHPC) dated April 9, 2009 and April 27, 2009	Appointment for a period of five years w.e.f. April 10, 2009 or till the date of his superannuation or until further orders, whichever is earliest.
Mr. R.S. Mina	Appointment through MoP Letters F. No. 9/2/2008-NHPC dated April 27, 2009 and May 1, 2009	Appointment for a period of five years w.e.f. April 28, 2009 or till the date of his superannuation or until further orders, whichever is the earliest.
Mr. Jayant Kawale*	Appointment through MoP Letter No. 16/28/99-DO (NHPC) dated September 6, 2007	Appointment with immediate effect from September 6, 2007.
Ms. Komal Anand	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 2, 2008 or until further orders, whichever occurs earlier.
Mr. Arun Kumar Mago	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 3, 2008 or until further orders, whichever occurs earlier.
Mr. Raman Sidhu	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 7, 2008 or until further orders, whichever occurs earlier.
Mr. R. Jeyaseelan	Appointment through MoP Letter No. 16/28/99-NHPC dated March 27, 2008	Appointment for a period of three years w.e.f. April 23, 2008 or until further orders, whichever occurs earlier.
Dr. Kuriakose Mamkoottam	Appointment through MoP Letter No. 16/28/99-NHPC dated June 3, 2008	Appointment for a period of three years w.e.f. June 17, 2008 or until further orders, whichever occurs earlier.
Mr. K. Dharmarajan	Appointment through MoP Letter No. 16/28/99-NHPC dated July 18, 2008	Appointment for a period of three years w.e.f. September 3, 2008 or until further orders, whichever occurs earlier.

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

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with us along with certain post retirement medical benefits, no other Director is entitled to any benefit upon termination of his employment with us.

Remuneration of our Directors

The following table sets forth the details of the gross remuneration for our whole-time directors for the period between April 1, 2008 and March 31, 2009. Our directors are also entitled to benefits/facilities such as official vehicle, medial reimbursements, leave travel concession, gratuity, reimbursements for maintenance of a residential office and official entertainment.

(in Rs.)

S. No.	Name	Basic Salary	Dearness Allowance	House Rent Allowance/Lease	Other benefits	Gross Total
1.	Mr. S.K. Garg	5,97,887	2,60,510	3,88,200	3,63,441	**16,10,038**
2.	Mr. A.B.L. Srivastava	4,33,917	2,10,997	4,32,519	1,58,216	**12,35,649**

However, pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the GoI has increased the pay scales of board members and executive officers of government enterprises, including our Company. Salary increases for all affected government employees will be retrospectively effective from January 2007. Accordingly, the remuneration set forth above is subject to a further revision.

Our government nominee Director, Mr. Jayant Kawale, is not entitled to any remuneration or fees from us as he has been nominated by the MoP, GoI. Our independent directors are paid sitting fees of Rs. 15,000 for attending each meeting of the Board and its committees, as applicable, as per board resolution dated April 17, 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 employment of our whole-time Directors. Pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the GoI has increased the pay scales of board members and executive officers of government enterprises, including our Company. Salary increases for all affected government employees will be retrospectively effective from January 2007. In light of the above, the remuneration of our whole-time Directors are subject to revision.

Detailed terms and conditions of employment of Mr. D.P. Bhargava, Mr. J.K. Sharma and Mr. R.S. Mina are yet to be notified by the GoI. The terms and conditions governing the appointment of Mr. S.K. Garg and Mr. A.B.L. Srivastava are as under:

1. ***Letter No. 20/1/2002-DO (NHPC) dated May 17, 2007 from the MoP, GoI to our Company regarding terms and conditions of appointment of Mr. S.K. Garg.***

Mr. S.K. Garg was appointed as Chairman and Managing Director of our Company by the President of India pursuant to MoP letter F. No. 9/2/2006-DO (NHPC) and letter No. 20/1/2002-DO (NHPC) dated January 22, 2007 and February 15, 2007 respectively, w.e.f. January 23, 2007. The terms of the said employment have been set out in the letter no. 20/1/2002-DO (NHPC) dated May 17, 2007.

(i) The terms and conditions governing the appointment of Mr. S. K. Garg are as under:

Term	Appointment w.e.f. January 23, 2007 till the date of superannuation or until further orders, whichever event occurs earlier. The appointment may however be terminated during this period by either side on three month's notice or on payment of three month's salary in lieu thereof.
Basic salary	Rs. 31,500 plus personal pay (protection) of Rs. 100 per month in the existing scale of Rs. 27,750-750-31,500 at the time of appointment.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the

	DPE's Office Memorandum dated June 25, 1999.
Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. Entitled to house rent allowance if our Company is not able to provide accommodation or if he prefers to stay in a house taken by him on rent basis. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. S.K. Garg. In case of furnished accommodation, an additional recovery at the rate of 2.5% would be made per month.
Annual Increment	One Stagnation Increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date he reaches the maximum of his pay scale. He will be granted a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for private use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance, leave travel concession etc. as per Company rules.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per DPE's Office Memorandum dated June 25, 1999 and March 27, 2000.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminous with his tenure as Chairman and Managing Director.

(ii) After retirement of services from our Company, Mr. S.K. Garg shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

2. ***Letter No. 9/3/2006-DO (NHPC) dated January 9, 2009 from MoP, GoI to our Company regarding the terms and conditions of appointment of Mr. A.B.L. Srivastava***

Mr. A.B.L. Srivastava was appointed as the Director (Finance) of our Company by the President of India pursuant to MoP letters F. No. 9/3/2006-NHPC dated January 3, 2008 and March 3, 2008, w.e.f. February 11, 2008. The terms of the said employment have been set out in the letter No. 9/3/2006-DO (NHPC) dated January 9, 2009.

(i) The terms and conditions governing the appointment of Mr. A.B.L. Srivastava are as under:

Term	Appointment for a period of five years w.e.f. February 11, 2008 or till the age of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated during this period by either side on three month's notice or on payment of three month's salary in lieu thereof.
Basic salary	Rs. 25,750 per month in the existing scale of Rs. 25,750-650-30,950 from the date of assumption of office as Director (Finance).
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the DPE's Office Memorandum dated June 25, 1999.
Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own

	house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. Entitled to house rent allowance if our Company is not able to provide accommodation or if he prefers to stay in a house taken by him on rent basis. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. A.B.L. Srivastava at the rate of 10% of revised basic pay and personal pay from the date of joining. In case of furnished accommodation, an additional recovery at the rate of 2.5% of revised basic pay and personal pay from the date of joining would be made per month.
Annual Increment	One Stagnation Increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date he reaches the maximum of his pay scale. He will be granted a maximum of three such increments.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300 in A-1, Rs. 240 in A class cities, Rs. 180 and Rs. 120 in B-1 and B-2 class cities respectively.
Other benefits and incentives	Company to provide staff car for private use subject to a ceiling as specified. Also, entitled to medical facilities, travelling allowance, leave travel concession etc. as per Company rules.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per DPE's Office Memorandum dated June 25, 1999 and March 27, 2000.
Leave and vacation	Entitled to leave as per our Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminous with his tenure as Director (Finance)

(ii) After retirement of services from our Company, Mr. A.B.L. Srivastava shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within one year from the date of his retirement/resignation, without prior approval of the GoI.

Corporate Governance

At present, we have six independent Directors on our Board. We are currently in compliance with the requirements of corporate governance set forth in terms of Clause 49 of the Equity Listing Agreement, particularly those relating to the composition of the Board of Directors, constitution of committees including the Audit Committee and Shareholder/Investor Grievance Committee.

(a) Audit Committee

Our Audit Committee was constituted vide board resolution dated January 23, 2001. Currently our Audit Committee comprises of the following members:

(1) Mr. Arun Kumar Mago (Independent Director) – Chairman;
(2) Mr. Jayant Kawale (Government Nominee Director);
(3) Mr. Raman Sidhu (Independent Director); and
(4) Ms. Komal Anand (Independent Director).

The terms of reference of the Audit Committee is in accordance with the Companies Act, Guidelines on Corporate Governance issued by the Department of Public Enterprises and the Listing Agreement as amended from time to time and include the following:

(a) Overseeing our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;

(b) Recommending the Board regarding the fixation of the audit fee;
(c) Approving of payment of statutory auditors for any other services rendered by them;
(d) Reviewing with the management the half yearly and annual financial statements before submission to the Board;
(e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
(f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
(g) Discussing with internal auditors regarding any significant findings and follow up thereon;
(h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
(i) Discussing with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;
(j) Reviewing our financial and risk management policies;
(k) Looking into the reason for substantial defaults in payments to depositors, debenture holders, shareholders and creditors;
(l) Reviewing the functioning of the whistle blowing mechanism, in case the same is formulated;
(m) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of public or rights issue and making appropriate recommendations to the board to take up steps in this matter; and
(n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Secretary of the Audit Committee is Mr. Vijay Gupta, Company Secretary. The Audit Committee is required to meet at least four times in a year, i.e. once before the finalisation of annual accounts and once in every six months. The quorum for the meetings is two members or one third of the total number of members, whichever is higher, provided there is a minimum of two independent members present.

(b) Shareholders' Grievance Committee

Our investor grievance committee was constituted vide board resolution dated April 30, 2002. The name of the committee was changed to Shareholders' Grievance Committee by way of board resolution dated April 29, 2008. Currently, the Shareholders' Grievance Committee comprises of the following members:

(1) Ms. Komal Anand (Independent Director) – Chairman;
(2) Mr. A.B.L. Srivastava, Director (Finance); and
(3) Mr. R. Jeyaseelan (Independent Director).

Our Company Secretary is the secretary of the committee. The Shareholder's Grievance Committee shall, *inter alia*, oversee the redressal of shareholder's and/or investors' complaints and/or grievances pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints.

The Shareholder's Grievance Committee is required to meet periodically, as it deems fit. The quorum for the committee is the presence of one third of the total number of members or two directors, whichever is higher.

(c) Remuneration Committee

The constitution of a Remuneration Committee is a recommendatory clause under the Listing Agreement. Moreover, as per our Articles of Association, the remuneration payable to our Directors is fixed by the President of India. Therefore, we have not constituted a Remuneration Committee.

However, our Company has constituted a remuneration committee for determining the remuneration payable to executives below the Board level as per our board resolution dated April 17, 2009. Presently, the remuneration committee comprises the following members:

(1) Mr. A.B.L. Srivastava, Director (Finance),
(2) Mr. D.P. Bhargava, Director (Technical);
(3) Mr. R.S. Mina, Director (Personnel);
(4) Mr. Raman Sidhu (Independent Director); and
(5) Dr. Kuriakose Mamkoottam (Independent Director).

Shareholding of Directors in our Company

Our Articles do not require our Directors to hold any Equity Shares. The following table details the shareholding of our directors in our Company as on the date of filing of this Red Herring Prospectus:

Name of Directors	Number of Equity Shares (Pre-Issue)
Mr. S.K. Garg*	100
Mr. A.B.L. Srivastava*	100
Mr. Jayant Kawale*	100
Mr. D.P. Bhargava*	100

** As a nominee of the President of India*

Interest of our Directors

All of our Directors, except Mr. Jayant Kawale, may be deemed to be interested to the extent of remuneration and fees paid to them for services rendered as a Director of our Company and reimbursement of expenses payable to them.

Mr. S.K. Garg, Mr. A.B.L. Srivastava, Mr. Jayant Kawale and Mr. D.P. Bhargava hold Equity Shares as nominees of the President of India and hence, they may be deemed to be interested to the extent of their shareholding in our Company. Further, all our Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus. Such Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus. For details of the related party transactions, see "***Financial Statements***" on page 174.

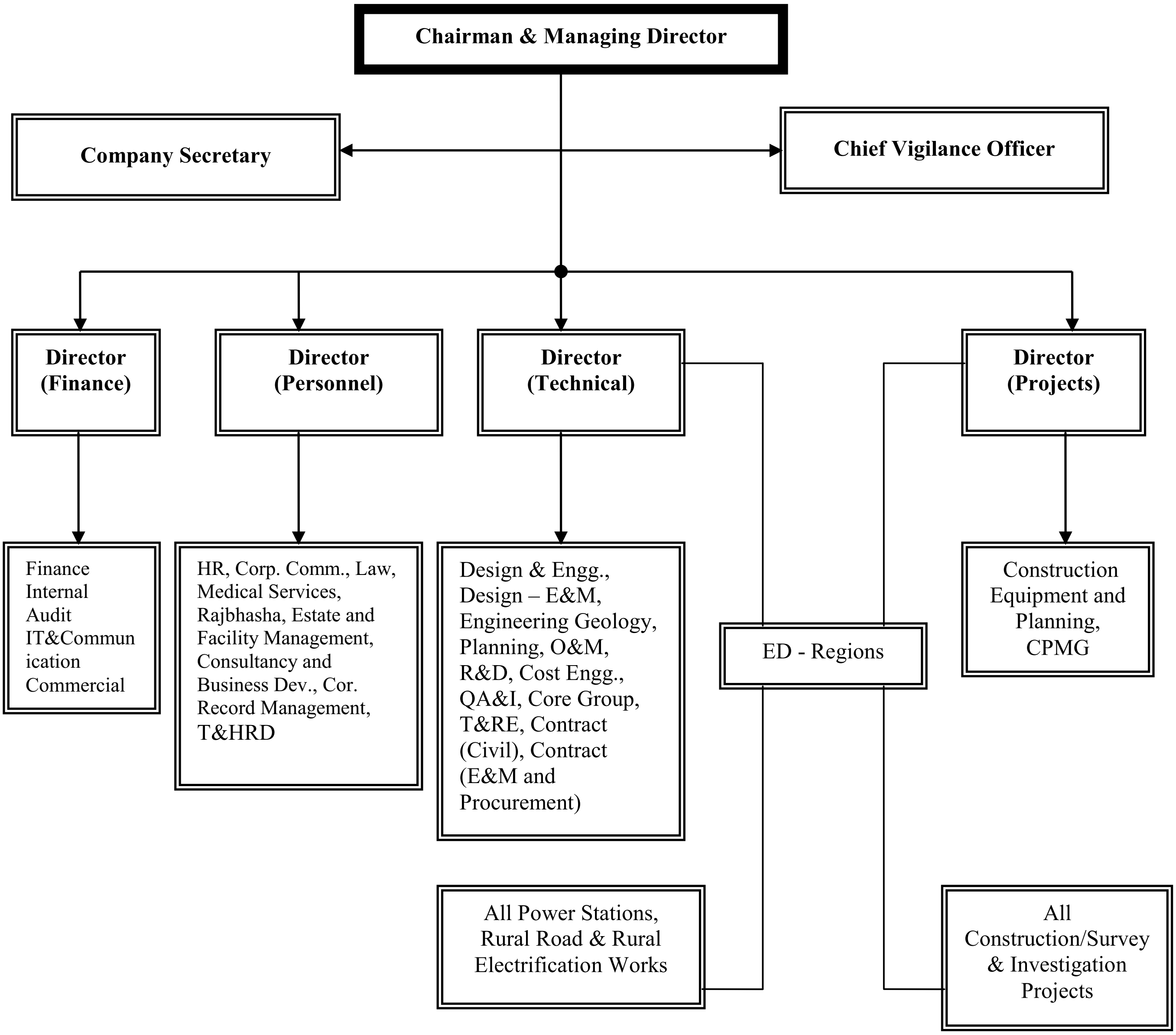
Changes in our Board of Directors during the last three years

The changes in our Board of Directors in the last three years are as follows:

Name	Date of Joining/Appointment	Date of Cessation	Reason
Mr. S.K. Garg, Chairman and Managing Director	Appointed as Director (Finance) w.e.f. July 1, 2003. Subsequently, appointed as Chairman and Managing Director w.e.f. January 23, 2007	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. A.K. Kutty, Government Nominee Director	February 18, 2003	August 14, 2007	Relinquishing the charge of Joint Secretary (Hydel) on repatriation to parent cadre.
Mr. Jayant Kawale, Government Nominee Director	September 6, 2007	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. A.B.L. Srivastava, Director (Finance)	February 11, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Ms. Komal Anand, Independent Director	April 2, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Arun Kumar Mago, Independent Director	April 3, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Raman Sidhu, Independent Director	April 7, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. R. Jeyaseelan, Independent Director	April 23, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. S.P. Sen, Director (Technical)	August 4, 2005	May 8, 2008	Voluntary Retirement.
Dr. Kuriakose Mamkoottam, Independent Director	June 17, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. S. K. Chaturvedi, Director (Personnel)	October 8, 2004	July 31, 2008	Appointment as Chairman and Managing Director of PGCIL.
Mr. S.K. Dodeja, Director (Projects)	September 2, 2006	July 31, 2008	Superannuation.
Mr. K. Dharmarajan, Independent Director	September 3, 2008	Continuing	Appointment pursuant to notification by the MoP, GoI
Mr. D.P. Bhargava, Director (Technical)	March 26, 2009	Continuing	Appointment pursuant to notification by the MoP, GoI
Mr. J.K. Sharma, Director (Projects)	April 10, 2009	Continuing	Appointment pursuant to notification by the MoP, GoI
Mr. R.S. Mina, Director (Personnel)	April 28, 2009	Continuing	Appointment pursuant to notification by the MoP, GoI
Mr. Gurdial Singh,	December 22, 2004	June 22, 2009	Withdrawal pursuant to

Name	Date of Joining/Appointment	Date of Cessation	Reason
Government Nominee Director			notification by the MoP, GoI

Organisation Structure:



Note: Regional Executive Directors report to Director (Technical) for power stations and Director (Projects) for construction/survey and investigation projects.

Key Managerial Employees

All of our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

The remuneration payable to our key managerial personnel is subject to change pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, wherein the GoI has increased the pay scales of board members and executive officers of government enterprises, including our Company. These directives also require such government enterprises to implement salary increases for employees below executive level and these wage increases are to be determined by the boards and management of the relevant government enterprises. Salary increases for all affected government employees will be retrospectively effective from January 2007. Accordingly, the remuneration set forth below is subject to further revision.

Mr. A.B. Aggarwal, 52 years, is designated as the Executive Director (Human Resources). He holds a bachelor's degree in mechanical engineering from Aligarh Muslim University, Aligarh. He also holds a master's degree in business administration from IGNOU. He has a career spanning approximately 30 years in the power sector. He has experience in operation and maintenance of power stations, commercial function, contracts function, research and development, HR activities, corporate communication and facility management services. He joined our Company on February 6, 1979. He is in charge of all human resource related activities of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.16 crore.

Mr. A.K. Sarkar, 52 years, is designated as the Executive Director (Contract - Civil). He holds a bachelor's degree in mechanical engineering from Jadavpur University, Kolkata and a diploma in Financial Management from IGNOU, Delhi. He has a career spanning approximately 29 years in the power sector. He has experience in planning, construction, management and operation of hydropower projects. He joined our Company on February 1, 1980. He is in charge of the Contract (Civil) division of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.14 crore.

Mr. Dayal Mathur, 56 years, is designated as the Executive Director (Training and Human Resource Development). He holds a master's degree in social work from the University of Udaipur. Prior to joining our Company, he worked in the private sector. He has a career spanning approximately 27 years in the power sector. He has experience in project and corporate human resource management in the hydropower sector. He joined our Company on December 18, 1981. He is heading the Training and Human Resource division of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.14 crore.

Mr. Digvijai Nath, 56 years, is designated as the Executive Director (Region-III, Kolkata). He holds a bachelor's degree in science having specialised in electrical engineering from Kanpur University, Kanpur. He has a career spanning approximately 35 years in total, including 26 years in the power sector. He has expertise in projects and contract management. He was conferred with the DCL National Award 2003-2004 and has published and presented many technical papers in national and international forums. He was working with the Uttar Pradesh SEB, prior to joining us on February 4, 1983. He is responsible for all projects/power stations under Region-III, Kolkata. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.22 crore.

Dr. Gopal Dhawan, 53 years, is designated as the Executive Director (Engineering, Geology and Geotech). He completed M. Tech. in applied geology from Roorkee University and doctorate in geology from Indian School of Mines, Dhanbad. He has a career spanning approximately 28 years in the power sector. He has varied experience in geotechnical assessment, planning and management of hydropower projects. He joined our Company on February 1, 1980. He is in charge of engineering, geology and geotech functions of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.12 crore.

Mr. K.S. Nagaraja, 54 years, is designated as our Executive Director (Design and Engineering). He holds a bachelor's degree in civil engineering from Bangalore University and a master's degree in technology having specialised in water resources engineering from the Indian Institute of Technology, Delhi. He has experience in the field of designing of hydroelectric projects and has approximately 32 years of work experience in the power sector. He has been associated with the design wing of our Company for all hydroelectric projects as well as turnkey projects abroad. He has been working with us since May 16, 1977. Presently, he is heading the Design and Engineering Division of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.13 crore.

Mr. Kamal Kapoor, 58 years, is designated as our Executive Director (Operation & Maintenance). He holds a bachelor's degree in science having specialised in electrical engineering from the Delhi College of Engineering, Delhi. He has a career spanning approximately 35 years in total including 32 years in the power sector alone. He has expertise in testing, erection and commissioning of power houses and switch yard. He has also worked in the E&M design division of our Company. He was working with the CEA, prior to joining us on August 6, 1977. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.15 crore.

Mr. M.K. Raina, 56 years, is designated as our Executive Director (Transmission and Rural Electrification Division). He holds a bachelor's degree in electrical engineering from Kashmir University. He has a career spanning approximately 33 years in the power sector with an expertise in project management, procurement and contracts, construction, management of inspection and quality assurance. He has been working with us since August 20, 1979. He is responsible for the transmission and rural electrification works in the states of Bihar, Chhattisgarh and Orissa. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.14 crore.

Mr. Nain Singh, 54 years, is our Executive Director (Design – E&M). He holds a bachelor's degree in technology having specialised in electrical engineering from the University of Roorkee. He has a career spanning approximately 29 years in hydro power industry, out of which he has about 14 years of experience in planning, design and engineering of hydro power projects, four years in operational aspects of a hydro power station and 11 years on-site experience in construction, erection and commissioning of hydro power stations at Uri, Chamera - I, II and III. He has published several papers on renovation and modernisation of hydro power stations, tariff fixation of hydro power projects and reduction of construction period of underground power house and tunnelling by using a proper ventilation system. He has been associated with our Company since the inception of his career from May 2, 1980. He is in charge of the Design (E&M) division of our Company and is responsible for all electro-mechanical design works of all projects of our Company. Mr. Singh's remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.17 crore.

Mr. Raj Kumar, 54 years, is our Executive Director, Bihar Rural Road Projects/Bihar Rural Electrification Works ("**BRRP/BREW**"), Patna. He holds a bachelor's degree in science from Gorakhpur University, a bachelor's degree in electronics from the Indian Institute of Technology, Roorkee and a post graduate diploma in management from IGNOU. Mr. Kumar has a career spanning approximately 31 years in the power sector. He has also worked with the Uttar Pradesh State Electricity Board prior to joining our Company on March 4, 1983. He left our Company in 1986 to join PGCIL. Subsequently, he rejoined our Company on December 31, 1998. He is in charge of all works related with BRRP/BREW, Patna. His remuneration as an Executive Director for Fiscal 2008, including all benefits was Rs. 0.15 crore.

Mr. R.K. Taneja, 56 years, is our Executive Director (Finance). He is Fellow Member of the Institute of Cost and Works Accountants of India and also holds a bachelor's degree in science and a bachelor's degree in law from Meerut University. He has over 36 years of professional work experience including 17 years of work experience in the power sector alone and has substantial experience in finance and accounts in the PSU sector. He is also a Director on the Board of our Subsidiary, NHDC. He was also the Chairman of the Faridabad chapter of the Institute of Cost and Works Accountants of India for two continuous tenures. Prior to joining our Company on April 10, 1992, he worked with Directorate of Audit Central Revenue and with Bharat Electronics Limited. At present, he is responsible for all financial and budget related matters concerning our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.14 crore.

Mr. R.N. Misra, 51 years, is designated as the Executive Director (Region – IV, Chandigarh). He holds a bachelor's degree in science from Allahabad University, a bachelor's degree in civil engineering from the Motilal Nehru National Institute of Technology, Allahabad, master's degree in water resources engineering from the Indian Institute of Technology, Delhi and Master of Business Administration in Finance from IGNOU, Delhi. Mr. Misra has a career spanning approximately 30 years in the power sector. He has experience in planning, construction and management of hydropower projects. He joined our Company on June 21, 1979. He is in overall charge of Region – IV, Chandigarh. Prior to this, he was the Executive Director (Commercial) of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.18 crore.

Mr. Subhash Roy, 58 years, is designated as the Executive Director (Cost Engineering). He holds a bachelor's degree in civil engineering from Calcutta University and is a Fellow of the Institute of Engineers (India). He has a career spanning approximately 34 years including 32 years of experience in the power sector alone. Prior to joining us on September 27, 1982, he was working with the government of Tripura, government of Meghalaya and Oil and Natural Gas Corporation. He is currently in charge of cost engineering functions of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.14 crore.

Mr. S.C. Gupta, 55 years, is our Executive Director (Corporate Project Monitoring Group). He holds a bachelor's degree in civil engineering from Punjab University. He has approximately 30 years of work experience in the power sector, having joined our Company since the inception of his career. He has extensive experience in project management and has been closely associated with the construction activities of Kurichhu, Dhauliganga and Dulhasti projects. He has been with our Company since March 19, 1979. He heads the Corporate Project Monitoring Group, which is instrumental in monitoring the progress of all construction projects. Mr. Gupta's remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.18 crore.

Mr. S. C. Sharma, 54 years, is designated as the Executive Director (Uttarakhand). He holds a bachelor's degree in electrical engineering from Punjab Engineering College, Chandigarh. He has a career spanning approximately 30 years in the power sector. He has experience in project management and Operations and Management of power houses. He joined our Company on September 13, 1978. He is in charge of all the Uttarakhand projects. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.13 crore.

Mr. S.M. Hussain, 59 years, is designated as the Executive Director (Construction Equipment Planning). He holds a bachelor's degree in science having specialised in civil engineering from Patna University and a post graduate diploma in structure from Patna University. He has a career spanning approximately 35 years including 27 years in the power sector alone. He has been instrumental in the construction of the Tanakpur barrage ahead of schedule. He was working with the Irrigation Department of the government of Bihar, prior to joining our Company on December 14, 1981. He is presently heading the construction equipment planning division of our Company.

His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.16 crore.

Mr. S.R. Roy, 51 years, is our Executive Director (Information Technology and Communication). He holds a bachelor's degree in engineering from the Indian Institute of Technology, Roorkee (Formerly University of Roorkee). He has a career spanning 28 years in the field of information technology. At present, he is responsible for all the activities pertaining to information technology and communication in our Company. He is also managing all activities relating to the implementation of enterprise-wise ERP package in our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.15 crore.

Mr. T.N. Gopalakrishna, 54 years, is our Executive Director (Finance). He holds a bachelor's degree in commerce from Mysore University and is also a Fellow Member of Institute of Chartered Accountants of India. He has about 29 years of work experience in the field of finance, accounts and audit. He had worked with our Company from January 14, 1980 to April 30, 1989, after which he worked with North Eastern Electric Power Corporation Limited, Delta Mechons (I) Limited and Reliance Petroleum Limited. He re-joined our Company on March 24, 1999 as Chief (Finance). He has also been on deputation as Director (Finance) in Indraprastha Power Generation Company Limited and Pragati Power Corporation Limited and was also a Director in NHDC. He is presently responsible for corporate accounts and policy, project monitoring group, tariff, taxation, salary and bills including pension and financial concurrence. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.13 crore.

Mr. Vijay Gupta, 47 years, is our Company Secretary. He holds a bachelor's degree in commerce, master's degree in commerce and a bachelor's degree in law from the Delhi University. He is an Associate of the Institute of Cost and Works Accountants of India and is also a Fellow of the Institute of Company Secretaries of India. He has over 23 years of experience which includes 14 years as a qualified Company Secretary. He joined our Company on May 5, 1986 and was appointed as our Company Secretary on June 6, 1996. He was responsible for maintenance of the accounts division of Salal and Tanakpur before joining the Secretarial division of our Company. He has also been appointed by our Company as the Public Information Officer under the Right to Information Act, 2005. His remuneration for Fiscal 2009, including all benefits was Rs. 0.17 crore.

Mr. V.K. Jain, 58 years, is our Executive Director (Research and Development). He holds a bachelor's degree in electrical engineering from Birla Institute of Technology and Sciences, Pilani, is a Fellow of the Institute of Engineers (India) and also holds a diploma in business management from Canada. He has an aggregate work experience of over 32 years out of which he has been associated in the hydropower sector for approximately 31 years. He has experience in the field of project management specifically with respect to operation and maintenance of power stations, construction of power projects and management and import of heavy equipment for hydro projects. He has also published various technical papers on these subjects. Prior to joining our Company on August 1, 1977, he was working with the CEA. He is currently in charge of research and development activities of our Company. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.13 crore.

Mr. K.M. Singh, 51 years, has been deputed as the chief executive director of our Subsidiary, NHDC. He holds a bachelor's degree in electrical engineering from Madan Mohan Malviya Engineering College, Gorakhpur. He has a career spanning approximately 30 years in the power sector. He has experience in project management. He joined our Company on May 22, 1979. He is in charge of all the NHDC projects. His remuneration as an Executive Director for Fiscal 2009, including all benefits was Rs. 0.15 crore.

Mr. M.S. Babu, 49 years, is our Executive Director (Commercial). He holds a Bachelor of Science, in electrical engineering from College of Engineering, Trivandrum. He has an experience of over 26 years in hydro power sector. He joined our Company on October 13, 1982 and has served in various positions in various projects including Salal, Chamera-I and Dhauliganga. Prior to this, he was the General Manger (Electrical) of our Company. He is currently in charge of all commercial activities of our Company.

Mr. B.R. Saraf, 51 years, is our Executive Director (Planning and C&BD). He holds a bachelor degree in civil engineering from SGSIS Indore University. He has an experience of approximately 29 years in hydro power sector. He joined our Company on September 10, 1979 and has served in various positions in various projects including Dulhasti, Salal and Kishanganga. Prior to this, he was the General Manger (Civil) of our Company. He is currently in charge of the planning and consultancy and business development divisions of our Company.

Mr. Dhiman Parija, 50 years, is our Executive Director (Siliguri). He holds a bachelor degree of science in mechanical engineering from University College of Engineering, Burla. He has an experience of approximately 28 years in hydro power sector. He joined our Company on May 1, 1981 and has served in various positions in various projects including Tanakpur, Dhauliganga and Dulhasti. Prior to this, he was the General Manger (Corporate Project Monitoring Group) of our Company. He is currently in charge of the projects/power stations under Siliguri region.

Mr. A.K. Gupta, 53 years, is our Executive Director (Dibang & Tawang Basin Projects). He holds a bachelor degree in mechanical engineering from Birla Institute of Technology and Science, Pilani. He has an experience of approximately 31 years in hydro power sector. He joined our Company on November 24, 1977 and has served in various positions in various projects including Salal, Devighat and Dulhasti. Prior to this, he was the General Manger (Construction Equipment Planning Division) of our Company. He is currently in charge of the projects under the Dibang & Tawang Basin projects.

Mr. Jatinder Singh, 56 years, is our Executive Director (Region-I, Jammu). He holds a bachelor degree of science in electrical engineering from Punjab Engineering College. He has an experience of over 30 years in hydro power sector. He joined our Company on November 7, 1978 and has served in various positions in various projects including Salal, Loktak and Baira Siul. Prior to this, he was the General Manger (Uri Project) of our Company. He is currently in charge of all the projects/power stations under Region-I, Jammu.

Mr. S.K. Agrawal, 51 years, is our Executive Director (Region-II, Banikhet). He holds a bachelor degree of technology in electrical engineering from Pant Nagar University and post graduate diploma in Project Management from Project Management Association, New Delhi. He has an experience of over 30 years in hydro power sector. He joined our Company on May 22, 1979 and has served in various positions in various projects including Salal, Baira Siul and Chamera-I. Prior to this, he was the General Manager of the Indirasagar Power Station, NHDC. He is currently in charge of the projects/power stations under Region-II, Banikhet.

Shareholding of the key managerial employees

None of our key managerial employees hold any shares or options.

Bonus or profit sharing plan for our key managerial employees

There is no bonus or profit sharing plan for our key managerial employees.

Changes in our key managerial employees during the last three years

The changes in our key managerial employees during the last three years are as follows:

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
Mr. N. K. Choudhri, Executive Director (Contracts-Civil)	December 25, 2003	February 28, 2007	Superannuation
Mr. S.D. Tripathi, Executive Director (Commercial)	January 1, 2004	April 30, 2007	Superannuation
Mr. Ramesh Chandra, Executive Director (Research and Development)	January 4, 2004	January 31, 2009	Superannuation
Mr. Subhash Kapoor, Executive Director (Finance and Accounts)	May 14, 2004	September 30, 2006	Superannuation
Mr. T. V. Ramam, Executive Director (Quality Assuarance & Inspection)	December 29, 2004	August 9, 2006	Superannuation
Mr. N.R. Shenvi, Executive Director (Cost and Engineering)	May 24, 2004	January 31, 2007	Superannuation
Mr. P.C. Jose, Executive Director (Information Technology and Communications)	December 29, 2004	March 31, 2007	Superannuation
Mr. M. M. Madan, Executive Director (Contracts-Civil)	December 29, 2004	September 3, 2008	Resigned
Mr. S.K. Agarwal, Executive Director (Operation and Maintenance)	January 1, 2005	December 31, 2007	Superannuation
Mr. Raj Kumar, Executive Director (BRRP/BREW, Patna)	December 26, 2006	Continuing	Promotion
Mr. K.S. Nagaraja, Executive Director (Design and Engineering)	December 26, 2006	Continuing	Promotion
Mr. D.P. Bhargava, Executive Director (Projects)	December 26, 2006	March 25, 2009	Appointed as Director (Technical) of our Company
Mr. R.S. Mina, Executive Director (Consultancy and Business Development)	December 26, 2006	April 28, 2009	Appointed as Director (Personnel) of our Company
Mr. V.K Kapoor, Executive Director (Contracts-Civil)	December 26, 2006	February 29, 2008	Resigned
Mr. R.K. Taneja, Executive Director (Finance)	December 26, 2006	Continuing	Promotion
Mr. Sanjay Kumar Mittal, Executive Director (Sikkim)	December 26, 2006	April 20, 2007	Resigned
Mr. Nain Singh, Executive Director (Design – E&M)	December 26, 2006	Continuing	Promotion
Mr. Subhash Roy, Executive Director (Cost Engineering)	December 26, 2006	Continuing	Promotion
Mr. T. N. Gopalakrishna, Executive Director (Finance)	December 26, 2006	Continuing	Promotion
Mr. K.P. Singh, Executive Director (Consultancy)	July 30, 2003	July 31, 2007	Superannuation
Ms. O.R. Lalitha, Executive Director (Design and Engineering)	December 25, 2003	June 30, 2007	Superannuation

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
Mr. A.K. Sachdeva, Executive Director (Research and Development)	November 2, 2002	January 31, 2008	Superannuation
Dr. Gopal Dhawan, Executive Director (Engineering, Geology and Geotech)	December 27, 2007	Continuing	Promotion
Mr. S.R. Roy, Executive Director (Information Technology and Communications)	December 27, 2007	Continuing	Promotion
Mr. Dayal Mathur, Executive Director (Training and Human Resource Development)	December 27, 2007	Continuing	Promotion
Mr. R.N. Misra, Executive Director (Region – IV, Chandigarh)	December 27, 2007	Continuing	Promotion
Mr. A.K. Sarkar, Executive Director (Contracts - Civil)	December 27, 2007	Continuing	Promotion
Mr. V.K. Sharma, Executive Director (Region-IV, Chandigarh)	December 27, 2007	August 22, 2008	Resigned
Mr. K.M. Singh, Chief Executive Director (NHDC-Bhopal)	December 27, 2007	Continuing	Promotion
Mr. A.B. Aggarwal, Executive Director (Human Resources)	December 27, 2007	Continuing	Promotion
Mr. S.C. Sharma, Executive Director (Uttarakhand)	December 27, 2007	Continuing	Promotion
Mr. V.K. Abbey, Executive Director (Design- Electrical and Mechanical)	December 25, 2003	June 6, 2008	Appointment as Chairman and Managing Director of North Eastern Electric Power Corporation Limited*
Mr. Ramesh Chandra, Executive Director (Quality Assurance and Inspection)	December 24, 2002	October 31, 2008	Superannuation
Mr. T. Mandal, Executive Director (Construction, Equipment and Planning)	December 24, 2002	May 31, 2009	Superannuation
Mr. M.S. Babu, Executive Director (Commercial)	December 24, 2008	Continuing	Promotion
Mr. B.R. Saraf, Executive Director (Planning)	December 24, 2008	Continuing	Promotion
Mr. Dhiman Parija, Executive Director (Siliguri)	December 24, 2008	Continuing	Promotion
Mr. A.K. Gupta, Executive Director (Dibang & Tawang Basin Projects)	December 24, 2008	Continuing	Promotion
Mr. Jatinder Singh, Executive Director (Region-I, Jammu)	December 24, 2008	Continuing	Promotion
Mr. S.K. Agrawal, Executive Director (Region-II, Banikhet)	December 24, 2008	Continuing	Promotion

** As per letter No. PEE/III/683 dated June 6, 2008, issued pursuant to Order No. 7/6/2006-H.I dated June 5, 2008, Mr. Abbey has been allowed to retain lien in our Company up to January 31, 2010, w.e.f. from the date he takes charge at the North Eastern Electric Power Corporation Limited.*

Employees Share Purchase Scheme/Employee Stock Option Scheme

Currently, we do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

Except for post retirement medical benefits and statutory benefits upon retirement, no other benefits are payable to the employees on our Company upon retirement/superannuation.

OUR PROMOTER AND OUR SUBSIDIARY

Our Promoter is the President of India acting through the MoP, GoI. Our Promoter (including through nominees) currently holds 100% of the paid-up share capital and will continue to hold majority of the post-Issue paid-up capital of our Company.

Subsidiary

We have one Subsidiary, namely, the Narmada Hydroelectric Development Corporation Limited.

For further information on our Subsidiary, see "***History and Certain Corporate Matters***" on page 129.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five Fiscal years is presented below.

(Rs. in crore except as otherwise stated)

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
No. of Equity Shares*	11,18,24,93,430	11,18,24,93,430	11,19,82,12,500	10,21,52,82,000	9,42,56,19,700
Rate of Dividend					
Interim (%)	1.12	0.89	0.64	0.63	0.64
Final (%)	1.79	1.79	1.84	1.56	0.85
Amount of Dividend on Equity Shares					
Interim	125.00	100	72	64	60
Final	200.00@	200	206	159	80
Total Dividend Tax paid	55.23#	50.99	45.11	31.28	19.22

** Face value of equity shares has been sub divided from Rs.1000/- per share to Rs.10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated from earlier years.*
@ Proposed dividend
 # Dividend distribution tax on dividend received from subsidiary has not been netted

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts payable, if any, in the future.

Pursuant to the terms of our loan agreements with some of our lenders, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions thereof or if we are in default of the terms and conditions of such loan agreements.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see ***"Financial Statements-Statement of Related Party Transactions"*** on page 241.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT ON RESTATED UNCONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad (Haryana)

Dear Sirs,

A) We have examined the attached summary of **Restated Unconsolidated Financial Information** of NHPC Limited (**the Company**) *(formerly known as National Hydroelectric Power Corporation Limited*), annexed to this report stamped and initialed by us for identification, for the five financial year ended March 31, 2009. These restated unconsolidated financial information has been prepared by the Company and approved by the official authorised by the Board of Directors, in accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ("the Act") ;

b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "SEBI Guidelines") and the related clarifications thereto issued by the Securities and Exchange Board of India ("SEBI") pursuant to section 11 of the Securities and Exchange Board of India Act, 1992, as amended to date; and

c) Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as 'the Issue').

B) These restated unconsolidated financial information of the Company have been extracted by the Management from:

i. the audited unconsolidated financial statements of the Company for the financial years ended March 31, 2009, 2008 and 2007 which have been audited and reported upon by us.
ii. the audited unconsolidated Financial Statements of the Company for the year ended March 31, 2006 and 2005 audited by previous statutory auditor i.e. M/s Batra Sapra & Company, Chartered Accountants.

These financial information have been restated after taking into consideration

a) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods identified by the management and examined by us for the purposes of restatement in the financial statement.
b) Adjustments for the material amounts in the respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
c) Extra-ordinary items, if any, that need to be disclosed separately in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
d) Adjustments, if any, for qualification requiring adjustments in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report.

The preparation and presentation of these financial information are the responsibility of the Company's Management. These financial information are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

C) Audit for the financial year ended March 31, 2005 and 2006 was conducted by the previous auditor Batra & Sapra & Co. and accordingly reliance has been placed on the financial information audited by them for said years after conducting such additional procedures as deemed appropriate by us for the purpose of expressing our opinion on the restated unconsolidated financial statements. These additional procedures for the years ended March 31, 2005 and 2006 should not be construed as an audit conducted under generally accepted auditing standards in India and accordingly we are not expressing an opinion on the individual financial statements for the year ended March 31, 2005 and 2006.

D) In accordance to the requirements of Paragraph B of Part II of the Schedule II of the Act, the SEBI Guidelines and terms of agreement agreed with you, we further report that we have examined

(i) the attached summary of Profit & Loss account, as restated of the Company for the five financial years ended March 31, 2009, as set out in Annexure I, the attached summary of assets and liabilities, as restated of the Company as at the end of the above periods, as set out in Annexure II and the attached Statement of Cash Flows, as restated of the Company for the above periods, as set out in Annexure III; together referred to as **'RESTATED UNCONSOLIDATED FINANCIAL INFORMATION'.**

(ii) Other financial Information, as restated relating to the Company, proposed to be included in the Offer Document, as annexed to this report are:

(a) Significant Accounting Policies and Notes on Accounts, Change in Accounting policies and Impact of Adjustment of change in Accounting policies, material adjustment and prior period item - (Annexure –IV)
(b) Statement of Dividend Paid - (Annexure – V)
(c) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
(d) Capitalisation Statement of the Company - (Annexure – VII)
(e) Statement of Secured Loans - (Annexure – VIII)
(f) Statement of Unsecured Loans- (Annexure – IX).
(g) Statement of investments- (Annexure – X)
(h) Statement of Sundry Debtors - (Annexure – XI)
(i) Statement of Loans & advances- - (Annexure – XII)
(j) Statement of Other Income - (Annexure –XIII).
(k) Tax Shelter Statement - (Annexure – XIV)
(l) Statement of Related Party transactions - (Annexure – XV).

E) Based on our examination of these Restated Unconsolidated Financial Information of the Company, we confirm that:

i. These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion, are appropriate and are subject to significant accounting policies and notes thereon as attached in Annexure – IV;

ii. The Restated Unconsolidated Financial Information of the Company have been restated after making necessary adjustment and regrouping, with retrospective effect to reflect the Significant Accounting policies being adopted by the Company as at March 31, 2009 as stated in Annexure – IV.

iii. Without qualifying our opinion, we draw your attention to:

a) Note A.2 (3) of Annexure IV regarding adoption of Accounting Standard (AS) 15, "Employee Benefits (Revised)" in preparing the financial statements for the year ended March 31, 2007 onwards

b) Note no. 4 A (n) of Annexure IV regarding methodology of charging depreciation on Fixed Assets.

iv. We are of the opinion that the Restated Unconsolidated Financial Information of the Company, as attached to this report, read with the significant accounting policies and significant notes to accounts, have been made in accordance with Paragraph B of Part II of the Act and SEBI guidelines and after incorporating

a. All the adjustments suggested in Paragraph 6.10.2.7 of the SEBI guidelines.
b. Adjustments for changes in the accounting polices retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reported periods.
c. Adjustment for the material amounts in the respective financial years to which they relate.
d. Necessary adjustments for qualifications in Auditor's report have been carried out in the Restated Unconsolidated Financial Information of the Company. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.

v. There are no extra ordinary items which needs to be disclosed separately in the Restated Unconsolidated financial information of the Company except for as disclosed in point no B (1.1) of Annexure IV.

F) This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For GSA & Associates
Chartered Accountants

(Sunil Aggarwal)
Partner
Membership no. 83899

Place: Faridabad
Dated: June 22, 2009

Annexure – I
UNCONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in Crore)

Particulars	For the year ended at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
INCOME					
Sales ($ Net)	2688.86	2227.32	1705.77	1554.50	1456.39
Revenue from Contract, Project Management & Consultancy Works	48.97	39.19	23.35	23.03	22.59
Interest on Power Bonds & Long Term Advances	185.27	209.22	234.09	239.53	239.53
Other Income	317.88	142.98	66.36	45.93	41.47
TOTAL INCOME	**3240.98**	**2618.71**	**2029.57**	**1862.99**	**1759.98**
EXPENDITURE					
Generation, Administration and other Expenses	326.47	204.97	147.35	172.76	120.51
Employees' Remuneration and Benefits	492.51	324.87	244.90	206.43	234.85
Depreciation	517.49	444.41	291.13	271.75	249.88
Interest and Finance charges	505.18	453.41	231.76	292.57	328.15
Provisions	125.90	21.15	30.37	22.13	41.65
Expenditure on Contract, Project Management & Consultancy Works	61.16	34.09	25.26	25.26	18.62
Incentive to Beneficiary States	0.00	0.00	0.00	75.49	81.25
TOTAL EXPENDITURE	**2028.71**	**1482.90**	**970.77**	**1066.39**	**1074.91**
Profit Before Tax and Extraordinary Items	1212.27	1135.81	1058.80	796.60	685.07
Provision for Taxation					
Current Tax	115.74	121.50	135.53	63.71	73.41
Adjustments relating to earlier years					
Deferred Tax	395.91	248.13	167.55	187.90	34.32
Deferred tax recoverable adjustment	(395.91)	(248.13)	(167.55)	(187.90)	(34.32)
Net Taxation	115.74	121.50	135.53	63.71	73.41
Profit Before Extraordinary Items	**1096.53**	**1014.31**	**923.27**	**732.89**	**611.66**
Extraordinary Income (Net of Tax)	33.27	46.11			
Profit after Extraordinary Items	**1129.80**	**1060.42**	**923.27**	**732.89**	**611.66**
Balance brought forward	**1140.68**	**528.04**	**2700.58**	**2302.82**	**1808.52**
Balance available for appropriation	**2270.48**	**1588.46**	**3623.85**	**3035.71**	**2420.18**
Appropriations					
Interim Dividend	125.00	100.00	72.00	64.00	60.00
Proposed Final Dividend	200.00	200.00	206.00	159.00	80.00
Corporate Dividend Tax (Net of set off)	46.66	50.99	45.11	31.28	19.21
Transfer to General Reserve	0.00	0.00	2800.00	0.00	0.00
Transfer/(Write back) to/from bonds redemption reserve	(14.25)	23.75	(83.75)	27.75	(90.65)
Transfer/(Write back) to/from Self Insurance reserve	98.68	73.04	56.45	53.10	48.80
BALANCE CARRIED TO BALANCE SHEET	1814.39	1140.68	528.04	2700.58	2302.82

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

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

Annexure - II

UNCONSOLIDATED STATEMENT OF ASSETS & LIABLITIES, AS RESTATED

(Rs. in Crore)

	For the year ended at				
Particulars	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Fixed Assets (A)					
a) Gross Block	21428.27	20622.83	12953.28	12764.49	10847.24
Less: Depreciation	3815.00	3264.84	2851.66	2529.82	2243.62
b) Net Block	17613.27	17357.99	10101.62	10234.67	8603.62
Capital Work In Progress	9325.83	6172.19	11266.28	8774.34	8717.75
Construction Stores and Advances	1096.85	1076.96	856.43	778.95	770.14
Sub total (A)	28035.95	24607.14	22224.33	19787.96	18091.51
INVESTMENTS (B)	2793.60	3049.22	3322.75	3579.19	3549.19
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	81.01	91.91	103.54	113.85	164.43
Inventories	37.16	37.12	44.95	51.27	52.05
Contract Work-in-Progress	19.55	51.16	42.20	36.35	23.07
Sundry Debtors	294.66	331.05	290.62	228.62	557.36
Cash and Bank Balances	1899.95	1841.27	466.90	542.20	311.68
Other Current Assets	393.74	214.03	160.18	129.24	170.26
Loans and Advances	1264.87	775.98	445.31	405.20	388.80
Sub total (C)	3990.94	3342.52	1553.70	1506.73	1667.65
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	8212.38	7003.49	4622.79	3973.50	4004.26
Unsecured loans	4021.65	2952.84	2909.16	3193.19	3017.54
Deferred Tax Liability (Net)	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1329.47	1303.26	1245.98	1049.49	999.99
Current Liabilities & Provisions	3385.18	2623.64	1917.54	1497.19	1222.96
Sub total (D)	16948.68	13883.23	10695.47	9713.37	9244.75
NET ASSETS (A+B+C-D)	17871.81	17115.65	16405.31	15160.51	14063.60
Represented by:					
Share Capital (E)	11182.49	11182.49	11198.21	10215.28	9425.62
Share Capital Deposit (F)	0.00	0.00	0.00	20.38	158.89
GOI Fund Adjustable to equity (G)	0.00	0.00	8.83	325.50	333.83
Reserve and Surplus (H)	6691.65	5933.50	5224.06	4623.90	4145.26
Miscellaneous Expenditure (To the extent not written off or adjusted) (I)	2.33	0.34	25.79	24.55	0.00
NET WORTH(E+F+G+H-I)	17871.81	17115.65	16405.31	15160.51	14063.60

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

Annexure-III

UNCONSOLIDATED CASH FLOW STATEMENT FROM THE RESTATED FINANCIAL STATEMENTS

(Rs. in Crore)

	Particulars	**For the year ended at March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit (Adjusted) before tax and after extraordinary items	**1245.54**	**1181.92**	**1058.80**	**796.60**	**685.07**
	ADD :					
	Depreciation	518.34	445.80	290.77	273.12	247.76
	Tariff Adjustment / Advance Against Depreciation	27.19	57.27	189.33	101.30	221.36
	Interest excluding rebate	474.79	427.21	209.14	261.30	298.10
	Others Provisions / Adjustments	96.71	15.78	21.06	77.09	32.90
	Exchange Rate Fluctuation	106.10	1.21	9.08	2.47	4.45
	Loss / (Profit) on Sale of Assets/Project	(0.20)	(1.38)	0.05	(0.46)	1.11
	Dividend Income	(51.76)	(36.06)	(12.12)	(4.46)	(2.26)
	Sub-Total	**1171.17**	**909.83**	**707.31**	**710.36**	**803.42**
	Operating profit before working capital adjustments	**2416.71**	**2091.75**	**1766.11**	**1506.96**	**1488.49**
	Adjustments					
	(Increase)/Decrease in Inventories	1.13	(5.76)	(2.19)	(4.60)	0.16
	(Increase)/Decrease in Contract Work in Progress	31.61	(8.97)	(5.85)	(13.28)	(13.32)
	(Increase)/Decrease in Receivables	(219.59)	(228.68)	(172.09)	350.40	181.78
	Increase/(Decrease) in Trade & Other Payables	404.36	662.01	429.37	196.65	182.93
	Sub-Total	**217.51**	**418.60**	**249.24**	**529.17**	**351.55**
	Cash generated from operations	**2634.22**	**2510.35**	**2015.35**	**2036.13**	**1840.04**
	Less : Taxes paid	105.98	162.37	212.08	84.89	80.86
	Cash Flow before Extraordinary Items	**2528.24**	**2347.98**	**1803.27**	**1951.24**	**1759.18**
	Loss / (Profit) on Transfer of Project-Net of Tax (Extraordinary Items)	(33.27)	(46.11)			
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**2494.97**	**2301.87**	**1803.27**	**1951.24**	**1759.18**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Fixed Assets / Capital work in progress etc.	(3157.04)	(2663.63)	(2488.84)	(1951.37)	(2351.30)
	Sale proceeds on disposal of fixed assets	2.31	107.22	0.66	0.48	1.09
	Decrease/(Increase) in Investment in Companies other than subsidiary	255.61	273.54	256.44	0.00	0.00
	Investment in shares of Subsidiary company	0.00	0.00	0.00	(30.00)	(83.16)
	Dividend Received	51.76	36.06	12.12	4.46	2.26
	NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	**(2847.36)**	**(2246.81)**	**(2219.62)**	**(1976.43)**	**(2431.11)**

C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from issue of share capital/Share capital deposit	0.00	0.00	645.88	642.82	1304.24
	Dividend & Dividend Tax Paid	(371.66)	(358.00)	(263.40)	(164.20)	(143.37)
	Proceeds on Borrowings	2331.46	2577.48	1442.80	1363.99	1151.93
	Repayment of Borrowings	(771.06)	(351.22)	(1037.04)	(1118.05)	(1007.86)
	Interest & Financial Charges	(777.67)	(548.95)	(447.19)	(468.85)	(495.70)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**411.07**	**1319.31**	**341.05**	**255.71**	**809.24**
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**58.68**	**1374.37**	**(75.30)**	**230.52**	**137.31**
	Cash & Cash Equivalents at the beginning of the year	1841.27	466.90	542.20	311.68	174.37
	Cash & Cash Equivalents at the close of the year	1899.95	1841.27	466.90	542.20	311.68
	Note: Cash & Cash equivalents includes Rs. 382.28 Crore, held on behalf of other agencies for execution of Contract, Project Management and Consultancy work on behalf of such agencies and is not freely available for the business of the Corporation.					

Annexure- IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.

2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets.

2.3 Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.

2.4 Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.

2.5 Land taken for use from State Government (without transfer of title) and expenses on relief and rehabilitation as also on creation of alternate facilities for land evacuates or in lieu of existing facilities coming under submergence and where construction of such alternate facilities is a specific pre condition for the acquisition of the land for the purpose of the project, are accounted for as Land-unclassified, to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project.

2.6 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation.

2.7 Construction equipments declared surplus are shown at lower of book value and net realisable value.

3. MACHINERY SPARES

3.1(a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.

(b) WDV of spares is charged off to Profit & Loss Account in the year in which such spares are replaced in place of retrieved spares, provided the spares so retrieved do not have any useful life. Similarly value of such spares, procured & replaced in place of retrieved spares, is charged off to Profit & Loss Account in that year itself, provided spares so retrieved do not have any useful life.

(c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value which ever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.

3.2 Other spares are treated as "stores & spares" forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

4.1 Projects under commissioning and other capital work-in-progress are carried at cost. Administration & General overhead expenses attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land and infrastructural facilities.

4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to 'Expenditure During Construction (EDC)'.

4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project.

5. DEPRECIATION & AMORTISATION

5.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. However, Construction Plant & Machinery and Computers & Peripherals are being depreciated @11.25% and @30% respectively, as CERC regulations do not provide depreciation rates for these assets.

5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.

5.3 Assets valuing Rs 5000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.

5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing upto Rs750/- are not capitalized and charged off to revenue.

5.5 Expenditure on software is recognized as `Intangible Assets' to be amortized over three years.

5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

5.7 Capital Expenditure referred to in Policy 2.3 is amortised over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

5.8 Leasehold Land is amortised over the period of lease. In case lease period is yet to be finalised, lease period is taken as 30 years except in case of J&K where lease period is taken as 90 years.

5.9 Fixed Assets created on leasehold land are depreciated to the extent of 90% of original cost over the lease period of land as per Policy No. 5.8 or at the applicable depreciation rate of such assets, which ever is higher.

6. INVESTMENTS

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

7. INVENTORIES

7.1 Stores & Spares are valued at cost, determined on weighted average basis, or net realizable value whichever is lower.

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

7.3 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.

7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

8. <u>FOREIGN CURRENCY TRANSACTIONS</u>

8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.

8.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to EDC in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01/04/2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.

9. <u>EMPLOYEE BENEFITS</u>

9.1 Provision for Post employment benefit as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year-end.

9.2 Provision for Leave Travel concession, Leave Encashment & Baggage Allowance admissible on superannuation is made in the books on the basis of actuarial valuation made at the year end.

9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. <u>REVENUE</u>

10.1(a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.

(b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.

(c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.

(d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.

10.2 In respect of Project Management/Consultancy Contracts/Cost plus Contract, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.

10.3 Interest on investments is accounted for on accrual basis.

10.4 Interest / Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to `Self Insurance Reserve' on year to year basis through Profit & Loss Appropriation Account, to be utilized for losses of Assets for specified contingencies.

12. MISCELLANEOUS

12.1. Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.

12.2. Power supplied from Power Stations to Projects under construction is charged as per normal tariff.

12.3 Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.

12.4 Insurance claims are accounted for based on certainty of realization.

13. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

14. TAXES ON INCOME

Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a Pass-through to beneficiaries to the extent relatable to Core activity i. e. Generation of electricity.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2005 TO 31st MARCH 2009.

1. During the year ended 31st March 2006,

    i. Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.

    ii. In line with Accounting Standard 26 –'Deferred Revenue Expenditure' earlier being amortized over a specified period, is now charged to revenue in the year of expenditure.

    iii. Expenditure on VRS is charged to revenue in the year of expenses which was earlier capitalized under CWIP.

2. During the year ended 31st March 2007

    Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)).

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Traveling Concession & Baggage Allowance on retirement) were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the (AS-15(R)) is applicable from financial year 2007-08. However, for the purpose of the restated statement, provisions under AS-15 (revised) as far as they relates to Long-term Employee Benefits, has not been applied for the year ended March 31,2006 and March 31,2005 as the same was not applicable in those years and the impact of which is not readily ascertainable.

3. During the year ended 31st March 2008

   i Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956. No impact on profit as Loss/Gain on Foreign Exchange difference, being recoverable/payable from/to beneficiary states is transferred to Deferred Current Asset / Liability keeping in view the opinion of Expert Advisory Committee of the Institute of Chartered Accountants of India.

   ii Modification of accounting policy on Construction Contract (Policy No. 10.2).

4. During the year ended 31st March 2009

   i Modification in Significant accounting policy on machinery spares (Policy No. 3.1), whereby retrieved capital spares capable of being re used after repair is being accounted.

   ii Modification in Significant accounting policy (Policy No.4.1) as regard to capitalization of administrative & other general overheads expenditures and deletion of earlier Significant accounting policy on allocation of Corporate Office Management Expenses.

   iii Introduction of Significant accounting policy for amortization of land and assets created on such land (Policy No.5.8 & 5.9).

   iv Modification of Significant accounting policy on self insurance (Policy No. 11) to the extent that Self Insurance reserve is now created through Profit & Loss Appropriation Account instead of charging to Profit & Loss account.

B. NOTES ON ACCOUNTS

1 Impact of changes in the Accounting Polices, Material Adjustments, Extra-ordinary and Prior Period items

(Rs. in Crore)

S. No.	Particulars	Financial Year ended 31st March 2009	Financial Year ended 31st March 2008	Financial Year ended 31st March 2007	Financial Year ended 31st March 2006	Financial Year ended 31st March 2005
	Profit after tax as per audited statement of accounts	**1,075.22**	**1,004.09**	**924.80**	**742.75**	**684.58**
	Adjustment on account of					
1	**Change in the Accounting Policies / method**					
-	Machinery Spares treated as Insurance Spares (note no. 1.1(A) (a))	-	-	-	24.38	(2.79)
-	Deferred Revenue Expenditure Charged to Revenue (note no. 1.1(A) b)	-	-	-	1.18	(0.47)
-	Expenditure on VRS charged to Revenue (note no. 1.1(A) c)	-	-	-	-	(15.00)

-	Modification of accounting policy No. 4.1 (note no. 1.1(A) d)	0.75	(24.57)	(24.21)	(24.09)	(19.35)
-	Impact of creation of self insurance reserve (note no. 1.1(A) e)	-	73.04	56.45	53.10	48.81
	Total	**0.75**	**48.47**	**32.24**	**54.57**	**11.20**
2	**Material Adjustments**					
-	Sale of energy (note no. 1.1(A) f)	17.01	(16.41)	(67.65)	(57.99)	5.49
-	Effect of Scheme for settlement of SEB dues and return of bonds (note no. 1.1(A) g)	-	-	-	(4.26)	(0.60)
-	Advance against depreciation (note no. 1.1(A) h)	-	-	19.31	(1.62)	(7.51)
-	Wage revision (note no. 1.1(A) i)	-	-	-	13.26	(2.76)
-	Provision no longer required (note no. 1.1(A) j)	-	(1.42)	(3.18)	2.61	(93.58)
-	Surcharge (note no. 1.1 (A) k)	-	-	-	(14.33)	-
-	Provisions (note no. 1.1 (A) l)	65.07	(9.72)	(6.62)	(13.67)	(16.07)
	Total	**82.08**	**(27.55)**	**(58.14)**	**(76.00)**	**(115.03)**
3	**Prior Period Adjustment** (note no. 1.1(A) m)	(11.38)	20.24	(3.04)	5.87	11.37
4	**Income tax relating to earlier years** (note no 1.1(A) m)	(16.87)	15.17	27.41	5.70	19.54
5	**Total (Impact of Adjustments)**	**54.58**	**56.33**	**(1.53)**	**(9.86)**	**(72.92)**
6	**Adjusted Profit After Tax**	**1,129.80**	**1,060.42**	**923.27**	**732.89**	**611.66**

1.1 NOTES ON ADJUSTMENTS CARRIED OUT

A) Having impact on Profit

a. Amount of machinery spares treated as insurance spares, capitalised and depreciated over the residual life of machinery and WDV of such spares charged to revenue in the year of consumption adjusted in respective years.

b. The deferred revenue expenditure amortised over a period of three to five years, in the earlier years, has been charged off to revenue in the year of expense.

c. Expenditure on VRS capitalised to CWIP, in the earlier years, has been charged to revenue in the year of expense.

d. Expenditure towards administrative & general overheads not specifically attributable to construction of assets charged to revenue.

e. Self Insurance reserve is now being created through Profit & Loss appropriation accounts instead of charging to Profit & Loss account as was done till 2007-08.

f. Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective year and adjustment of amount recoverable against restatement of tax for earlier years.

g. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.2564.41 Crore against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.253.62 Crore were converted into interest bearing long term advance with effect from 1st October, 2001 Adjustment in respect of the aforesaid and incentive under the Scheme have been carried out in the respective years.

h. Advance against Depreciation adjusted in the relevant years as per tariff orders of CERC.

i. Arrears paid on account of revision of pay scales (1997) and other emoluments have been adjusted in respective years.

j. Estimated provision against incentive payable to beneficiary reversed after assessment of actual liability based on terms of the tariff order of CERC.

k. Surcharge received through Bonds has been adjusted in respective year.

l. Provisions made toward project expenses and doubtful debts have been taken in respective year to which such expenditure/debt belongs.

m. The prior period items / income tax relating to earlier years in the profit and loss account have been re-allocated to respective years.

B) Having no impact on the Profit

i) Material Regrouping
Profit on transfer of projects has been treated as extra ordinary items and is shown as such while preparing the restated financials of the company.

b) The shareholders in the Extra-Ordinary General Meeting held on March 13, 2007 have approved the sub-division of equity shares of face value of Rs.1000/- each into hundred equity shares of face value of Rs.10 each. Subsequent to this sub-division, the authorized equity share capital of Rs.15000 Crore has been divided into 1500 Crore equity shares of Rs. 10/- each and the issued, subscribed and paid up capital of Rs. 11198.21 Crore, as on 31st March 2007 has been divided into 1119.82 Crore equity shares of Rs. 10/- each. Accordingly, all accounting ratios have been computed on the basis of number of equity shares post-split.

The accounts for the years 2004-05 to 2008-09 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of changes for the financial years prior to 2004-05 has been adjusted in the General Reserve as at 1st April 2004.

1.2 NOTES ON ADJUSTMENTS NOT CARRIED OUT

Qualification of the Auditors
The Auditors in their report for the period ended, March 2008, March 2007 & March 2006 has qualified that requirement of amended clause 33 of the Articles of Association regarding "Independent Directors should not be less than 50% of the actual strength of the Board", has not been complied with.

Since the aforesaid qualification does not have any financial impact over the profitability of the Company, no adjustment was carried out. In our opinion, this is a statement of the fact as stated by the auditors.

2. Contingent Liabilities

(Rs. in Crore)

	Particulars	As at 31st March 2009	As at 31st March 2008	As at 31st March 2007	As at 31st March 2006	As at 31st March 2005
1	Claims against the Company not acknowledged as Debts in respect of					
	Capital Works	3870.55	3193.93	1819.78	1257.56	904.23
	Land Compensation cases	94.61	84.48	125.55	69.72	50.80
	Others	409.06	340.02	280.56	180.57	166.59
2	Disputed Income Tax, Excise and Sales Tax demand	2062.41	2045.53	2055.53	2090.19	2109.47
	Total	**6436.63**	**5663.96**	**4281.42**	**3598.04**	**3231.09**

3. Estimated amount of contracts remaining to be executed on capital account and not provided for:

(Rs. in Crore)

As at 31st March 2009	As at 31st March 2008	As at 31st March 2007	As at 31st March 2006	As at 31st March 2005
9709.30	8454.03	8588.86	8216.34	6183..37

4. Other significant notes on account as on 31st March 2009.

a. Title deeds/title in respect of Land of some Projects/Units amounting to Rs.92.69 Crore (Previous year Rs. 52.10 crore), covering an area of 2046.46 hectare (Previous year 2080.40 hectare), are yet to be executed/passed. Expenses on stamp duty etc. relating to registration thereof will be accounted for as and when incurred.

b. Land measuring 722 Kanal & 18 marlas and structure created thereon in respect of Salal Power Station, though in possession of J&K Govt., is appearing in respective fixed assets heads.

c. Sales for current year include Rs.(-)6.75 Crore toward income tax, billing of which is yet to be done. Sales in respect of Dulhasti & Teesta V Power Stations have been accounted for based on provisional tariff notified by Central Electricity Regulatory Commission (CERC).

d. Since the issue of payment of incentive to M/s Delhi Transco Limited has not been resolved, Rs.32.97 Crore is continuing under “Other current Assets” as well as under “Other Liabilities”.

e. Balances shown under Material issued to contractors, claims recoverable including insurance claims, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/ confirmation and respective consequential adjustments. Claims recoverable also include claims in respect of projects handed over or decided to be handed over to other agencies in terms of Government of India Directives.

f. “Loans & Advances” include Rs. 244.44 Crore given as Advance to Contractors & Suppliers in respect of Contracts, Project Management and Consultancy works being executed by Corporation on behalf of other agencies.

g. 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.

h. Siang Basin, Subansiri Basin & Dibang Multipurpose Projects were taken over from Brahmputra Board. Pending settlement of account with Brahmputra Board, assets and liabilities have been booked to the extent of amounts incurred by the Corporation on these projects. Of the Siang Basin Projects, Siang Lower & Siyom HE Projects have since been handed over to private developer and liability arising out of settlement of accounts with Brahmputra Board towards Siang Lower &

Siyom projects is recoverable from respective private developer. Upper Siang HE project, a project of siang basin, has since been allotted to other agency for preparation of Pre-feasibility report and as such expenditure incurred on this project till 31.03.2009 amounting to Rs.37.06 Crore has been provided in the books as abundant precaution.

i. Profit on Transfer of Project pertains to transfer of Lower Siang Project, which has been handed over to private developer as referred to in (h) above.

j. Out of Rs. 84.89 Crore, as demanded by JKSPDC for projects taken over by Corporation from J&KPDC, Rs.26 crore has been paid by Corporation against accountal of Rs.33.66 Crore against total demand and Rs.51.23 Crore is appearing under contingent liability, which shall be accounted for in the books on reconciliation of assets of projects thus taken over with accounts submitted by them. The Corporation is also having a claim of Rs.37.55 Crore against JKSPDC in respect of projects handed over or decided to be handed over to JKSPDC.

k. Pakal Dul & Loktak Down Stream HE Projects are to be executed through Joint Venture Companies with participation from state Government. Pending formation of Joint Venture Companies, expenditure amounting to Rs.101.03 Crore & Rs. 30.99 Crore resepectively incurred by NHPC on these two projects upto 31.03.2009 is appearing under Capital Work-in-Progress. Similarly Kiru & Kwar HE Projects, entrusted to Corporation for preparation of DPR, are also to be executed through Joint Venture Company. Pending formation of Joint Venture Company, expenditure of Rs.28.49 Crore incurred by Corporation on these Projects is appearing under Capital Work-in-Progress.

l. Project work at Subansiri Upper & Subansiri Middle is under suspension due to the Hon' able Supreme Court order dated 19.04.2004 in Interlocutory Applications (IAs) 966 & 1012, restraining the construction of dam upstream of Subansiri River. Pending disposal of said IAs, capital expenditure of Rs.40.35 crore & Rs.34.78 Crore respectively is appearing under Capital Work In progress and as abundant precaution expenditure incurred towards Survey & Investigation including expenditure during construction on these projects from 20.04.2004 to 31.03.2009 has been provided in the books in current year.

m. Pending implementation of wage revision of Employees w.e.f 01.01.2007, a provision of Rs.202.36 Crore has been made in the books for current year on reasonable estimate basis.

n. The depreciation on Fixed Assets is charged as per Significant Accounting Policy No.5 of the Corporation. Ministry of Power (MOP) has already notified tariff policy which provides that rates of depreciation as notified by the Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. The revised rates of depreciation as notified by CERC have been made applicable w.e.f. 01.04.2009. Accordingly, the rates notified under present tariff norms have been considered for charging depreciation for the year. The depreciation for the year as per rates prescribed under schedule XIV of the Companies Act, 1956 works out to Rs.390.08 crore more than that worked out as per CERC rates (previous year Rs.338.39 crore). However, the Management considers the depreciation provided in the books as appropriate and adequate keeping in view matching concept of Accounting.

o. Electricity generation is the principal business activity of the Company. Other operations viz., contract works and consultancy services do not form a reportable segment as per the Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.

p. The Management is of the opinion that no case of impairment of assets exists under the provision of Accounting Standard (AS)-28 on Impairment of assets as at 31st March 2009.

q. Provisions for employee benefits under the provision of Accounting Standard 15 (Revised 2005) for the year have been made on the basis of Actuarial Valuation done as at 31.03.2009.

r. In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries up to 31.03.2009.

s. Cash & cash equivalents include Rs.382.28 Crore, held on behalf of other agencies for execution of Contract, Project Management and Consultancy works on behalf of such agencies and are not freely available for the business of the Corporation.

t. Quantitative details in respect of Energy produced and sold:-

		For the year 2008-09	For the year 2007-08
(i)	Licensed Capacity (M.W.)	Not applicable	Not Applicable
(ii)	Installed Capacity (M.W.)*	3614.20	3274.20
(iii)	Actual Generation (Million Units)**	16582.72	14662.69
(iv)	Actual Sales (Million Units) ***	14587.88	12779.62

*Commercial Operation of Unit No. 1 & Unit No. 3 of Teesta V Power Station started from 10.04.2008 & 03.04.2008 respectively.

** including infirm Power & excluding Auxiliary Consumption & Transformation Loss.

*** excluding infirm Power & free Power to Home States.

5. Interests in Subsidiary Company.

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest
Narmada Hydroelectric Development Corporation Limited	India	51%

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Annexure-V

STATEMENT OF DIVIDEND PAID BY THE COMPANY - UNCONSOLIDATED

(Rs. in Crore)

Particulars	**For the year ended at**				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Equity Share Capital					
Face Value (Rs) *	10	10	10	10	10
Nos. *	11,182,493,430	11,182,493,430	11,198,212,500	10,215,282,000	9,425,619,700
Rate of Dividend (%)					
Interim	1.12	0.89	0.64	0.63	0.64
Final	1.79	1.79	1.84	1.56	0.85
Amount of Dividend					
Interim	125.00	100.00	72.00	64.00	60.00
Final	200.00**	200.00	206.00	159.00	80.00
Corporate Dividend Tax	55.23 #	50.99	45.11	31.28	19.22

* Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated for earlier years.

**Proposed Dividend and Corporate Dividend Tax there on of Rs. 33.99 Crs.

Set off on account of Dividend distribution tax on dividend received from subsidiary has not been netted off.

Annexure - VI
STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT - UNCONSOLIDATED

Sl. No.	Key Ratio	Year Ended As at				
		March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
A	**Earning Per Share (Rs.)**					
	Basic	0.98	0.91	0.88	0.74	0.69
	Diluted	0.98	0.91	0.85	0.72	0.66
B	Return on Net Worth (%) #	6.14	5.93	5.63	4.83	4.35
C	Net Assets Value per share (Rs.) #	15.98	15.31	14.64	14.35	14.18
D	**Weighted Average number of Equity shares used as denominator**					
	Basic	11,182,493,430	11,174,850,574	10,502,319,459	9,897,284,400	8,881,641,900
	Diluted	11,182,493,430	11,183,030,042	10,822,615,290	10,226,184,900	9,215,475,700
E	**Total number of shares outstanding at the end of the year @**	11,182,493,430	11,182,493,430	11,207,043,400	10,561,163,000	9,918,343,700

(i) # Share Capital Deposit and GOI funds adjustable toward equity has been considered in Net Worth.

(ii) Face value of equity shares has been sub divided from Rs. 1000/- per share to Rs. 10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated for earlier years.This has been calculated as per the provisions of AS-20.

(iii) @ Out standing number of shares has been adjusted to the extent of equivalent share of Rs.10/- each for Share Capital Deposit and GOI funds adjustable toward equity, for which share has been issued subsequently.

(iv) The ratios have been computed as below

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after tax and before Extra Ordinary Items}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth \%} = \frac{\text{Net Profit after tax and before Extra Ordinary Items}}{\text{Net worth Equity excluding revaluation reserve / Capital Grant recd against Fixed Assets}}$$

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

Annexure – VII

CAPITALISATION STATEMENT OF THE COMPANY - UNCONSOLIDATED

(Rs. in Crore)

Sl. No.	Particulars	Pre-Issue as at 31st March, 2009	Post Issue **
A.	**Debt:**		
	a) Short-term Debt	1,673.68	
	b) Long-term Debt	10,560.35	
	Total Debt:	**12,234.03**	
B.	**Share Holders fund**		
	a) Equity Share Capital	11,182.49	**
	b) Reserves & Surplus	6,691.65	
	Total Share holders fund	**17,874.14**	
	Less Miscellaneous Expenses to the extent not written off	2.33	
	Net Worth	**17,871.81**	
C.	**Long-term Debt/Equity**	0.59 **:** 1	

** These figures can be ascertained only on the conclusion of the book building process.

Annexure- VIII

STATEMENT OF SECURED LOAN – UNCONSOLIDATED

(Rs. in Crore)

	Particulars	***Year Ended as at***				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
1	**BONDS** **(refer Note 1 below)**	513.00	570.00	570.00	1000.00	1028.00
2	**TERM LOANS** Term Loan from Banks /FIs- Indian Currency **(refer Note 2 below)**	7,699.38	6,433.49	4052.79	2973.50	2976.26
	Total (Secured Loan)	**8,212.38**	**7,003.49**	**4,622.79**	**3,973.50**	**4,004.26**

Note

1

Bond Series	**Loan amount as on March 31, 2009**	**Security Mortgaged**	**Interest Rate (%)**	**Repayment terms**
BONDS				
15 year Bonds of Rs.100,000,000/- each (O-Series, Private Placement)	513.00	* 2	7.70	Yearly redemption of RS 57 Crs. w.e.f. 31.03.09
	513.00			

2 The terms and conditions of the Term Loans from Banks and FIs, outstanding as at March 31, 2009, including interest rates, principal terms of Security and repayment terms are as under

Name of the Lender	**Loan amount as on March, 2009**	**Security Mortgaged**	**Interest Rate (%)**	**Repayment terms**
CANARA BANK	68.00	*1	6.75	In 5 equal yearly instalment w.e.f. 31.01.09
INDIAN OVERSEAS BANK	37.50	*1	9.5	In 4 equal yearly instalment w.e.f. 06.12.08
STATE BANK OF PATIALA	32.00	*1	8.322	Repayable in 20 half yearly instalments w.e.f 9.7.2007
BANK OF INDIA	75.00	*3	10.25	In 10 years in 40 equal quarterly instalment w.e.f. 24.12.06
CENTRAL BANK OF INDIA	50.00	*3	9.5	In 20 half yearly instalment of Rs.5 crore w.e.f. 2.5.04
HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	64.29	*3	10.5	In 14 equal half yearly instalment w.e.f. 13.02.07
PUNJAB & SIND BANK	75.00	*3	11	In 40 quarterly instalment in 10 years w.e.f. 24.10.06

PUNJAB NATIONAL BANK	82.50	*3	8.75	In 10 years in 20 half yearly instalment w.e.f. 26.10.04
STATE BANK OF PATIALA	32.14	*3	10.75	In 14 half yearly instalment w.e.f. 30.01.07
STATE BANK OF HYDERABAD	32.14	*3	11	In 14 half yearly instalment w.e.f. 07.01.07
STATE BANK OF INDIA	85.71	*3	10.5	In 14 half yearly instalment w.e.f. 18.09.06
CANARA BANK	40.00	*4	11	In 4 equal yearly instalment w.e.f. 28.06.09
L I C OF INDIA	2500.00	*5 & *7	8 & 9.25	In 24 half yearly instalment in 12 years w.e.f. 15.04.09
CANARA BANK	160.00	*2	6.86	In 10 equal yearly instalment w.e.f. 09.11.07
SYNDICATE BANK	146.40	*2	7.207	In 10 equal yearly instalment w.e.f. 23.02.08
ORIENTAL BANK OF COMMERCE	160.00	*2	7.207	In 10 equal yearly instalment w.e.f.31.03.08
ORIENTAL BANK OF COMMERCE	100.00	*2	7.207	In 10 equal yearly instalment w.e.f. 27.12.11
LIFE INSURANCE CORPORATION OF INDIA	1896.00	*6	13 year G-sec plus 75bps	In 24 half yearly instalment in 12 years w.e.f. 30.04.12
INDIAN BANK	100.00	*1	7.7	In 3 equal yearly instalment w.e.f. 28.02.12
POWER FINANCE CORPORATION LTD.	296.00	*8	3 Year AAA Yield Corp. Bonds plus 50Bps	40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	176.70	*8		40 equal quarterly instalment w.e.f. 15.10.08
POWER FINANCE CORPORATION LTD.	70.00	*8		40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	507.00	*2&3		40 equal quarterly instalment w.e.f. 15.07.11
POWER FINANCE CORPORATION LTD.	413.00	*1		40 equal quarterly instalment w.e.f. 15.07.09
POWER FINANCE CORPORATION LTD.	500.00	*1		40 equal quarterly instalment w.e.f. 15.01.10
	7699.38			

*1 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-I situated in the state of HP except for Book Debts and Stores.

*2 Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Uri -I Power Station situated in the state of Jammu & Kashmir except for book debts and stores.

*3 Secured by pari-passu charge by way of Equitable mortgage/ hypothecation against Immovable / Moveable assets of Corporation's Chamera Power Station-II situated in the state of HP except book debts & stores.

*4 Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of Company's Loktak Power Station situated in the state of Manipur except for book debts and stores.

*5 Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Company's Parbati HE Project-II situated in the state of HP.

*6 Secured by the hypothecation of the moveable assets of the Corporation's Subansiri Lower H.E.Project situated in the state of Arunachal Pradesh & equitable mortgage/hypothecation against immovable/movable assets of Corporations Teesta Low Dam-III Project situated in the state of West Bengal and Teesta V H.E. Projects situated in the State of Sikkim.

*7 Secured by a first pari-passu mortgage and charge over all the immoveable and moveable assets of the Company's Dhauliganga Power Station situated in the state of Uttrakhand except for book debts & stores.

*8 Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores.

Annexure-IX
STATEMENT OF UNSECURED LOANS - UNCONSOLIDATED

(Rs. in Crore)

Particulars	**Year Ended as at**				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
TERM LOANS					
i) Term Loan From Banks/FIs - Indian Currency	-	-	-	100.00	100.00
ii) Term Loan From Banks/FIs - Foreign Currency					
(a) Guaranteed by Government of India	3187.65	2,737.41	2,710.04	2,888.40	2,698.05
(b) Others		215.43	199.12	204.79	219.49
iii) Loan from Government of India	34.00	-	-	-	-
SHORT TERM LOAN	800.00	-	-	-	-
Total	**4,021.65**	**2,952.84**	**2,909.16**	**3,193.19**	**3,017.54**

Name of the Lender	**Loan amount as on March 31, 2009**	**rate of Interest**	**Repayment terms**
Term Loan From Banks/FIs - Foreign Currency			
(a) Guaranteed by Government of India			
- Nordic Investment Bank	51.84	6m USD libor+0.15%	Repayable in 23 equal semi annual installments w.e.f. 24.01.2000
- Credit Commercial DE France	173.53	8.96%	Repayable in 17 equal semi annual installments w.e.f. 30.06.2002
- Export Development Canada	363.24	6.01%	Repayable in 24 equal semi annual installments w.e.f. 15.09.2004
- Japan Bank of International Cooperation Tranche-I	217.08	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.01.2006
- Japan Bank of International Cooperation Tranche-II	795.94	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.12.2007
- Japan Bank of International Cooperation Tranche-III	625.68	1.30%	Repayable in 41 equal semi annual installments w.e.f. 20.03.2014
- Deutsche Bank & Others	960.34	6m JPY libor+0.57%	Repayable in 20 equal semi annual installments w.e.f. 18.04.2009
TOTAL UNSECURED LOANS	3,187.65		

SHORT TERM LOAN

Name of the Lender	Loan amount as on March31, 2009	Interest Rate (%)	Repayment terms
BANK OF BARODA	100.00	6.90	Due for repayment within one year

BANK OF BARODA	100.00	6.90	Due for repayment within one year
BANK OF MAHARASHTRA	100.00	7.25	Due for repayment within one year
INDIAN OVERSEAS BANK	300.00	7.20	Due for repayment within one year
INDIAN OVERSEAS BANK	200.00	7.20	Due for repayment within one year

Annexure-X

STATEMENT OF INVESTMENT - UNCONSOLIDATED

(Rs. in Crore)

Particulars	Year Ended as at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Unquoted					
Equity Shares in Subsidiary- Narmada Hydroelectric Development Corp.	1002.42	1002.42	1002.42	1002.42	972.42
Tax Free State Government Special Bonds	1777.99	2034.44	2307.97	2564.41	2564.41
Equity Shares in JV - National Power Exchange Ltd.	0.83	-	-	-	-
Quoted					
Equity Shares	12.36	12.36	12.36	12.36	12.36
Sub Total	**2793.60**	**3049.22**	**3322.75**	**3579.19**	**3549.19**
Less: Provision for permanent diminution in Investment	0.00	0.00	0.00	0.00	0.00
Total	**2793.60**	**3049.22**	**3322.75**	**3579.19**	**3549.19**
Aggregate Book value of Quoted Investments	12.36	12.36	12.36	12.36	12.36
Aggregate Market value of Quoted Investments - BSE	84.86	120.20	75.18	74.36	60.47
Aggregate Book value of Un quoted Investments	2781.24	3036.86	3310.39	3566.83	3536.83

Annexure - XI

STATEMENT OF SUNDRY DEBTORS - UNCONSOLIDATED

(Rs. in Crore)

	Particulars	**Year Ended as at**				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	Debts- Unsecured					
i)	**Debts outstanding for a period exceeding six months**					
	- Considered good	7.38	115.18	124.47	201.63	340.11
	- Considered doubtful	194.97	77.13	75.94	77.07	77.56
ii)	**Other debts**					
	- Considered good *	287.28	215.87	166.15	26.99	217.25
		489.63	**408.18**	**366.56**	**305.69**	**634.92**
	Less: Provision for doubtful debts	194.97	77.13	75.94	77.07	77.56
	TOTAL	**294.66**	**331.05**	**290.62**	**228.62**	**557.36**

Annexure-XII

STATEMENT OF LOANS AND ADVANCES – UNCONSOLIDATED

(Rs. in Crore)

	Particulars	Year Ended as at				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
i)	**Loans- to Employees (including interest accrued thereon)**					
	Secured - Considered good	100.89	103.23	97.51	93.12	84.12
	Unsecured - Considered good	24.44	27.73	30.00	31.77	34.90
ii)	**Advance to Subsidiary Companies**					
	Unsecured (Considered Good)	1.95	0.00	2.31	2.93	0.86
iii)	**Advance Recoverable in Cash or kind or Value to be received**					
	Secured considered good	0.13	0.07	35.14	0.30	0.00
	Unsecured considered good	354.38	32.49	26.33	15.07	10.14
	Unsecured considered doubtful	3.06	0.50	0.46	0.44	0.19
	Less : Provisions for doubtful advances and claims	(3.06)	(0.50)	(0.46)	(0.44)	(0.19)
iv)	Loans to State Government in Settlement of Dues	190.22	215.58	253.62	253.62	253.62
	Advance to Government of Arunachal Predesh	225.00	225.00	0.00	0.00	0.00
	Deffered Foreign Currency Fluctuation Assets	344.64	151.51	0.00	0.00	0.00
A	**Total**	**1,241.65**	**755.61**	**444.91**	**396.81**	**383.64**
B	**Other Recoverables**	0.00	0.00	0.00	0.03	12.29
C	**Deposits**					
	Advance income tax (Gross Paid)	501.22	455.56	331.08	205.95	133.10
	Less provision for Taxation	(478.00)	(435.19)	(330.68)	(197.59)	(140.23)
	TOTAL	**1,264.87**	**775.98**	**445.31**	**405.20**	**388.80**

Annexure-XIII
STATEMENT OF OTHER INCOME - UNCONSOLIDATED

(Rs. in Crore)

Particulars	For the year ended at March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
Other Income	317.88	142.98	66.36	45.93	41.47
Profit Before Tax and Extraordinary Items	1,212.27	1,135.81	1,058.80	796.60	685.07
Percentage	26.22	12.59	6.27	5.77	6.05

Detail of Other Income

Particulars	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	Nature of Income
Income from Deposit/Advances/ saving bank	201.57	80.12	30.15	21.58	9.66	Recurring
Dividend Income	51.76	36.06	12.11	4.46	2.26	Recurring
Surcharge on late payment from Customers	10.82	0.90	7.92	10.10	2.80	Recurring
Profit on Sale of Assets/Scrap	0.85	2.86	0.60	0.69	3.12	Recurring
Guarantee fee	0.00	0.00	0.47	0.33	3.91	Non- Recurring
Other Miscellaneous Income	52.88	23.04	15.11	8.77	19.72	Recurring
TOTAL	**317.88**	**142.98**	**66.36**	**45.93**	**41.47**	

Annexure - XIV
STATEMENT OF TAX SHELTER - UNCONSOLIDATED

(Rs. in Crores)

	PARTICULARS	**For the year ended at March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	Rate of Tax	**33.99%**	**33.99%**	**33.66%**	**33.66%**	**36.59%**
A.	**PROFIT BEFORE TAX AS RESTATED (A)**	1249.79	1187.81	1058.80	796.60	685.07
	NOTIONAL TAX ON BOOK PROFIT	424.80	403.74	356.39	268.14	250.68
	ADJUSTMENTS					
B	**PERMANENT DIFFERENCES**					
	Dividend Income exempt u/s 10(34)	(51.75)	(36.06)	(12.12)	(4.46)	(2.26)
	Donations	2.09	0.07	0.03	0.01	1.00
	Interest on tax free power bonds	(185.26)	(209.22)	(234.08)	(239.53)	(239.53)
	Tax Holiday Claim u/s 80-IA	(353.41)	(157.64)	(72.73)	0.00	0.00
	Others	15.75	19.75	17.82	16.19	19.25
	TOTAL PERMANENT DIFFERENCE (B)	(572.58)	(383.10)	(301.08)	(227.79)	(221.54)
C	**TIMING DIFFERENCE**					
	Diff. Between book depreciation and Tax depreciation	(857.02)	(841.72)	(129.56)	(541.66)	(353.14)
	Profit on sale of assets	(0.85)	(2.86)	(0.60)	(0.74)	(3.06)
	Loss on sale of assets	0.30	1.36	0.54	0.12	5.88
	Tax, duty and other sum u/s 43B	82.57	26.84	32.86	27.06	26.95
	Others	97.79	11.67	7.88	11.42	8.96
	Adjustment for brought forward losses/ unabsorbed	0.00	0.00	(668.84)	(65.01)	(149.12)
	depreciation (utilized)/created					
	TOTAL TIMING DIFFERENCES (C)	(677.21)	(804.71)	(757.72)	(568.81)	(463.53)
D	**NET DIFFERENCES (B) + (C)**	(1249.79)	(1187.81)	(1058.80)	(796.60)	(685.07)
	TAX SAVINGS THEREON	424.80	403.74	356.39	268.14	250.68
E	**TAXABLE INCOME AS PER IT RETURN (A)+(D)**	0.00	0.00	0.00	0.00	0.00
F	**TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)**					
	Tax rate u/s 115JB	11.33%	11.33%	11.22%	8.42%	7.84%
	Tax u/s115JB	110.07	117.61	125.77	48.87	57.47
	TOTAL TAX AS PER RETURN	110.07	117.61	125.77	48.87	57.47
	TAX ON EXTRA-ORDINARY ITEMS	4.25	5.89	0.00	0.00	0.00
	TAX ON PROFIT BEFORE EXTRA-ORDINARY ITEMS	105.82	111.72	125.77	48.87	57.47
G	**CARRIED FORWARD LOSSES/ UNABSORBED DEPRECIATION AT THE YEAR END**	0.00	0.00	0.00	668.84	733.85

Note 1:- In line with Power tariff agreements with State Electricity Boards, tax liability on generation income was pass through to beneficiaries till FY 2008-09. However w.e.f. 01.04.2009 the income tax recovery is to be effected by grossing up of return on equity component of tariff with applicable tax rate.

Note 2:- The figures for the year ended at March 31, 2009 are based on the provisional computation of total income.

Annexure - XV

STATEMENT OF RELATED PARTY TRANSACTIONS

1) List of Related Parties

a) Subsidiary Company / Joint Ventures

- **Narmada Hydroelectric Development Corp Ltd.** - 51% Share Holding in the Company
- **PTC India Ltd.** – 5.28**%** Share holding in the Company.
- **National Power Exchange Ltd.** – 8% Share holding in the Company

b) Key Management Personnel

In compliance of Accounting Standard –18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under;

As on 31st March 2009.

Whole time Directors:

Shri S.K. Garg	Chairman & Managing Director
Shri A B L Srivastava	Director (Finance)
Shri D. P. Bhargava	Director (Technical)- assumed office w. e. f. 26.03.2009
Shri J. K. Sharma	Director (Projects)- assumed office w.e.f. 10.04.2009
Shri R. S. Mina	Director (Personnel)- assumed office w.e.f. 28.04.2009
Shri S.K. Chaturvedi	Director (Personnel)- relieved w.e.f. 31.07.2008
Shri S. P. Sen	Director (Technical) - relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects) – superannuated on 31.07.2008

As on 31st March 2008.

Whole time Directors:

Shri S.K. Garg	Chairman & Managing Director
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)-Relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects)
Shri A B L Srivastava	Director (Finance)-Appointed w. e. f. 11.02.2008

As on 31st March 2007.

Whole time Directors

Shri. S. K. Garg	Chairman & Managing Director w. e. f. 23.01.2007. Also holding additional charge of Director (Finance). Earlier Director (Finance) with additional charge of Chairman & Managing Director w.e.f.

	01.10.2005
Sh S K Chautervedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)
Shri S. K. Dodeja	Director (Projects) (joined on 02.09.2006)

As on 31st March 2006

Whole time Directors:

Shri S. K. Garg	Director (Finance) with additional charge of Chairman & Managing Director w.e.f 01.10.2005
Shri S. K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical) (Joined on 04.08.2005)
Shri A. K. Gangopadhyay	Director (Projects with additional charge of Director (Technical) up to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005 (Retired on 30.09.2005 after attaining the age of superannuation).
Shri Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation)

As on 31st March 2005

Whole time Directors:

Shri A. K. Gangopadhyay	Director (Projects) with additional charge of Director (Technical) upto 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005)
Shri S. K. Garg	Director (Finance)
Shri S. K. Chaturvedi	Director (Personnel) (joined on 08.10.2004)
Shri. Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation).
Shri R. K. Sharma	Director (Technical) (Upto 21.10.2004)

2) Remuneration paid/payable to Key Management Personnel

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
(i)	Salaries & Allowances	0.47	0.40	0.28	0.42	0.34
(ii)	Contribution to Provident Fund	0.03	0.03	0.03	0.04	0.03
(iii)	Rent for Residential Accommodation	0.11	0.09	0.08	0.08	0.07
(iv)	Other benefits	0.03	0.02	0.03	0.03	0.03
(v)	Sitting fees	0.08	Nil	Ni	Ni	Ni

3) **Others transactions with**

a) **PTC India Ltd.**

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
1	Investment	Nil	Ni	Ni	Ni	NIL
2	Dividend Recd	1.20	1.20	1.20	0.96	0.96

b) **National Power Exchange Ltd.**

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
1	Investment	0.83	Ni	Ni	Ni	NIL
2	Dividend Recd	Nil	Ni	Ni	Ni	NIL

The transaction with the related parties, for which disclosures are required to be made in terms of AS 18, has been disclosed above. Other Related Party is 'State-controlled Enterprises' and hence no disclosures is required as per paragraph 9 of AS 18.

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AUDITORS' REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad (Haryana)

Dear Sirs,

A) We have examined the attached summary of **Restated Consolidated Financial Information** of NHPC Limited (**the Company**) *(formerly known as National Hydroelectric Power Corporation Limited*) and its Subsidiary namely Narmada Hydroelectric Development Corp. Limited (collectively, the '**Group'**), annexed to this report stamped and initialed by us for identification, for the five financial year ended March 31, 2009. These restated consolidated financial information has been prepared by the Company and approved by the official authorised by the Board of Directors, in accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ("the Act") ;

b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "SEBI Guidelines") and the related clarifications thereto issued by the Securities and Exchange Board of India ("SEBI") pursuant to section 11 of the Securities and Exchange Board of India Act, 1992, as amended to date; and

c) Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as 'the Issue').

B) These Restated Consolidated Financial Information of the Group have been extracted by the Management from the Consolidated Financial Statements of the Group for the last five financial years ended March 31, 2009,2008, 2007 2006 and 2005 which have been audited and reported upon by us.

These financial information have been restated after taking into consideration

a) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods identified by the management and examined by us for the purposes of restatement in the financial statement.
b) Adjustments for the material amounts in the respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
c) Extra-ordinary items, if any, that need to be disclosed separately in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
d) Adjustments, if any, for qualification requiring adjustments in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report.

The preparation and presentation of these financial information are the responsibility of the Company's Management. These financial information are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

C) In accordance to the requirements of Paragraph B of Part II of the Schedule II of the Act, the SEBI Guidelines and terms of agreement agreed with you, we further report that we have examined

(i) the attached consolidated summary of Profit & Loss account, as restated of the Group for the five financial years ended March 31, 2009, as set out in Annexure I, the attached summary of consolidated assets and liabilities, as restated of the Group as at the end of the above periods, as set out in Annexure II and the attached Statement of Consolidated Cash Flows , as restated of the Group for the above periods, as set out in Annexure III; together referred to as **'RESTATED CONSOLIDATED FINANCIAL INFORMATION'.**

(ii) Other consolidated financial information, as restated relating to the Group, proposed to be included in the Offer Document, as annexed to this report are:

(a) Significant Accounting Policies and Notes on Accounts, Change in Accounting policies and Impact of Adjustment of change in Accounting policies, material adjustment and prior period item - (Annexure –IV)
(b) Statement of Dividend Paid - (Annexure – V)
(c) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
(d) Capitalisation Statement of the Company - (Annexure – VII)
(e) Statement of Secured Loans - (Annexure – VIII)
(f) Statement of Unsecured Loans- (Annexure – IX).
(g) Statement of investments- (Annexure – X)
(h) Statement of Sundry Debtors - (Annexure – XI)
(i) Statement of Loans & advances- - (Annexure – XII)
(j) Statement of Other Income - (Annexure –XIII).
(k) Tax Shelter Statement - (Annexure – XIV)
(l) Statement of Related Party transactions - (Annexure – XV).

D) Based on our examination of these Restated Consolidated Financial Information of the Group, we confirm that:

i. These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion, are appropriate and are subject to significant accounting policies and notes thereon as attached in Annexure – IV;

ii. The Restated Consolidated Financial Information of the Group have been restated after making necessary adjustment and regrouping, with retrospective effect to reflect the Significant Accounting policies being adopted by the Company as at March 31, 2009 as stated in Annexure – IV.

iii. Without qualifying our opinion, we draw your attention to:

a. Note A.2 (3) of Annexure IV regarding adoption of Accounting Standard (AS) 15, "Employee Benefits (Revised)" in preparing the financial statements for the year ended March 31, 2007 onwards

b. Note no. 4 A (n) of Annexure IV regarding methodology of charging depreciation on Fixed Assets.

iv. We are of the opinion that the Restated Consolidated Financial Information of the Group, as attached to this report, read with the significant accounting policies and significant notes to accounts, have been made in accordance with Paragraph B of Part II of the Act and SEBI guidelines and after incorporating

a. All the adjustments suggested in Paragraph 6.10.2.7 of the SEBI guidelines.
b. Adjustments for changes in the accounting polices retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reported periods.
c. Adjustment for the material amounts in the respective financial years to which they relate.

d. Necessary adjustments for qualifications in Auditor's report have been carried out in the Restated Consolidated Financial Information of the Group. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.

v. There are no extra ordinary items which needs to be disclosed separately in the Restated Consolidated financial Information of the Group except for as disclosed in point no B (1.1) of Annexure IV.

E) This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For GSA & Associates
Chartered Accountants

(Sunil Aggarwal)
Partner
Membership no. 83899

Place: Faridabad
Dated: June 22, 2009

Annexure - I
CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

(Rs. in Crore)

Particulars	For the Year Ended as at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Income					
Sales ($ Net)	3,444.78	2,891.79	2,245.94	2,031.75	1,682.44
Revenue from Contracts, Project Management and Consultancy works	48.93	39.06	23.29	22.63	25.35
Interest on Power Bonds and Long term Advances	185.27	209.22	234.09	239.54	239.53
Other Income	372.54	181.56	76.63	58.95	42.13
TOTAL INCOME	**4,051.52**	**3,321.63**	**2,579.95**	**2,352.87**	**1,989.45**
Expenditure					
Generation, Administration and other Expenses	363.84	232.55	168.87	188.93	141.11
Employees' Remuneration and Benefits	538.96	348.03	258.85	216.10	234.32
Depreciation	656.29	560.74	368.66	344.14	294.86
Interest and Finance charges	776.01	637.66	361.52	412.79	396.82
Provisions	125.91	21.15	30.37	22.53	38.85
Expenditure on Contracts, Project Management and Consultancy works	61.16	34.09	25.26	25.26	21.59
Incentive to Beneficiary States	0.00	0.00	0.00	75.48	81.25
TOTAL EXPENDITURE	**2,522.17**	**1,834.22**	**1,213.53**	**1,285.23**	**1,208.80**
Profit before minority interest, Tax and Extraordinary Items	**1,529.35**	**1,487.41**	**1,366.42**	**1,067.64**	**780.65**
Provision for Taxation					
Current year tax and Fringe benefit tax	167.79	168.51	197.20	75.92	77.24
Deferred Tax	554.32	400.13	351.36	247.62	44.97
Deferred tax recoverable adjustment	(554.32)	(400.13)	(351.36)	(247.62)	(44.97)
Net Taxation	**167.79**	**168.51**	**197.20**	**75.92**	**77.24**
Profit before minority interest and Extraordinary Items	**1,361.56**	**1,318.90**	**1,169.22**	**991.72**	**703.41**
Extraordinary Income (Net of Tax)	**33.27**	**46.11**			
Profit before minority interest	**1,394.83**	**1,365.01**	**1,169.22**	**991.72**	**703.41**
Minority interest	150.68	157.97	120.12	127.06	45.72
Net Profit after minority interest	**1,244.15**	**1,207.04**	**1,049.10**	**864.66**	**657.69**
Balance brought forward	1,511.96	802.40	2,880.90	2,374.04	1,845.63
Excess provision withdrawn					

Balance available for appropriation	**2,756.11**	**2,009.44**	**3,930.00**	**3,238.70**	**2,503.32**
Appropriations					
Interim Dividend	125.00	100.00	72.00	64.00	60.00
Proposed Final Dividend	200.00	200.00	206.00	159.00	80.00
Corporate Dividend Tax (Net of set off)	54.46	67.79	56.69	34.25	20.10
Transfer to General Reserve			2,800.00		
Amount transferred/(written back) to/from bonds redemption reserve	(14.25)	23.75	(83.75)	27.75	(90.65)
Amount transferred/(written back) to/from Self Insurance Reserve	115.73	105.94	76.66	72.80	59.83
Balance Carried to Balance Sheet	**2,275.17**	**1,511.96**	**802.40**	**2,880.90**	**2374.04**

$ Tariff Adjustment and Advance Against Depreciation has been netted from Sales.
The accompanying accounting policies and notes on accounts are an integral part of these statements.

Annexure - II

CONSOLIDATED STATEMENT OF ASSETS & LIABLITIES , AS RESTATED

(Rs. in Crore)

Particulars	As at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Fixed Assets (A)					
a) Gross Block	28115.11	27207.88	17037.02	16736.33	14175.60
Less: Depreciation	4408.93	3682.51	3122.70	2693.62	2312.09
b) **Net Block**	**23,706.18**	**23,525.37**	**13,914.32**	**14,042.71**	**11,863.51**
Capital Work In Progress	9331.67	6185.78	13270.02	10076.26	9732.37
Construction Stores and Advances	1096.98	1077.37	861.66	837.06	995.91
Sub total (A)	**34,134.83**	**30,788.52**	**28,046.00**	**24,956.03**	**22,591.79**
INVESTMENTS (B)	1791.19	2046.79	2320.33	2576.77	2576.77
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Interest accrued on Investments	80.99	91.89	103.52	113.83	164.41
Inventories	41.51	39.68	47.11	52.47	51.67
Contract Work-in-Progress	19.55	75.19	42.20	36.35	23.07
Sundry Debtors	763.64	886.46	892.64	575.35	649.83
Cash and Bank Balances	2606.08	2345.87	816.29	892.78	973.55
Other Current Assets	430.27	235.10	184.43	157.24	113.03
Loans and Advances	1285.32	789.70	463.49	422.77	409.41
Sub total (C)	**5,227.36**	**4,463.89**	**2,549.68**	**2,250.79**	**2,384.97**
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	10723.45	9902.65	7562.63	6138.24	5504.26
Unsecured loans	4207.52	2952.84	2909.16	3343.19	3641.79
Minority Interest	1466.71	1364.48	1239.90	1130.19	1006.46
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00
Advance against Depreciation	1424.52	1318.79	1245.98	1049.49	999.99
Current Liabilities & Provisions	3740.62	3052.75	2165.21	1709.91	1472.45
Sub total (D)	**21,562.82**	**18,591.51**	**15,122.88**	**13,371.02**	**12,624.95**
Capital Grant/Proportionate Contribution by Govt. of Madhya Pradesh towards Fixed Assets (E)	1198.04	1177.88	1109.26	1092.66	827.28
NET ASSETS (A+B+C-D-E)	**18,392.52**	**17,529.81**	**16,683.87**	**15,319.91**	**14,101.30**
Represented by:					
Share Capital (F)	11182.49	11182.49	11198.21	10215.28	9425.62
Share Capital Deposit (G)	0.00	0.00	0.00	20.38	158.89
GOI Fund adjustable to Equity (H)	0.00	0.00	8.83	325.50	333.83
Reserve and Surplus (I)	7212.36	6347.66	5502.63	4783.29	4182.95
Miscellaneous Expenditure (To the extent not written off or adjusted) (J)	2.33	0.34	25.80	24.54	-0.01
NET WORTH(F+G+H+I-J)	**18,392.52**	**17,529.81**	**16,683.87**	**15,319.91**	**14,101.30**

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

Annexure - III

CONSOLIDATED CASH FLOW STATEMENT FROM RESTATED FINANCIAL STATEMENT

(Rs. in Crore)

		For the Year Ended as at				
		31st March 2009	31st March 2008	31st March 2007	31st March 2006	31st March 2005
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit before tax and after extraordinary items	**1562.62**	**1533.52**	**1366.42**	**1067.64**	**780.65**
	ADD :					
	Depreciation including prior period	661.73	563.66	369.81	347.26	300.70
	Tariff Adjustment / Advance Against Depreciation	106.71	72.80	189.33	101.30	221.36
	Interest excluding rebate	737.97	608.12	338.91	381.50	366.76
	Self-Insurance Reserve	0.06	0.00	0.00	0.00	0.00
	Other Provisions / Adjustments	(96.87)	3.28	(2.82)	41.03	7.23
	Exchange Rate Fluctuation	299.63	13.42	32.81	14.31	27.24
	Loss / (Profit) on Sale of Assets	(0.18)	(1.37)	0.06	(0.45)	2.82
	Dividend Income	(1.33)	(1.31)	(1.29)	(1.00)	(1.04)
	Sub-Total	**1707.72**	**1258.60**	**926.81**	**883.95**	**925.07**
	Operating profit before working capital adjustments	**3270.34**	**2792.12**	**2293.23**	**1951.59**	**1705.72**
	Adjustments					
	(Increase)/Decrease in Inventories	(0.66)	(6.17)	(3.14)	(6.88)	3.42
	(Increase)/Decrease in Contract Work in Progress	31.61	(8.97)	(5.85)	(13.28)	(13.32)
	(Increase)/Decrease in Receivables	12.63	(179.83)	(426.35)	14.04	(6.44)
	Increase/(Decrease) in Trade & Other Payables	238.50	861.89	392.36	150.72	99.03
	Sub-Total	**282.08**	**666.92**	**(42.98)**	**144.60**	**82.69**
	Cash generated from operations	**3552.42**	**3459.04**	**2250.25**	**2096.19**	**1788.41**
	Less : Taxes-Paid	162.62	203.96	214.56	96.78	96.08
	Cash Flow before Extraordinary Items	**3389.80**	**3255.08**	**2035.69**	**1999.41**	**1692.33**
	Loss / (Profit) on Transfer of Project-Net of Taxes (Extraordinary Items)	(33.27)	(46.11)			
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**3356.53**	**3208.97**	**2035.69**	**1999.41**	**1692.33**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Fixed Assets / Capital work in progress etc.	(3255.54)	(3134.75)	(3182.04)	(2659.14)	(3313.10)
	Sale proceeds on disposal of fixed assets	2.31	105.96	0.66	0.48	1.09
	Investment	255.61	273.54	256.44	0.00	0.00

	Dividend Received	1.33	1.31	1.29	1.00	1.04
	NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	**(2996.29)**	**(2753.94)**	**(2923.65)**	**(2657.66)**	**(3310.97)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from issue of share capital / Share Capital Deposit	0.00	0.00	645.88	642.82	1304.24
	Share capital deposit	0.00	0.00	0.00	0.00	0.00
	Dividend & Dividend Tax Paid	(388.47)	(369.59)	(266.37)	(165.09)	(146.03)
	Dividend Paid to Minority	(48.45)	(33.39)	(10.40)	(3.33)	1.18
	Proceeds on Borrowings	4792.48	2677.64	2217.90	2178.74	2496.18
	Repayments of Borrowings	(3440.41)	(492.05)	(1187.04)	(1742.30)	(1657.86)
	Interest & Financial Charges	(1026.56)	(779.26)	(633.83)	(620.64)	(624.25)
	Fund from GOMP	11.38	71.20	45.33	287.28	385.53
	NET CASH FLOW/(USED) FROM FINANCING ACTIVITIES (C)	**(100.03)**	**1074.55**	**811.47**	**577.48**	**1758.99**
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**260.21**	**1529.58**	**(76.49)**	**(80.77)**	**140.35**
	Cash & Cash Equivalents at the beginning of the year	**2345.87**	**816.29**	**892.78**	**973.55**	**833.20**
	Cash & Cash Equivalents at the close of the year	**2606.08**	**2345.87**	**816.29**	**892.78**	**973.55**

Note: Cash & Cash equivalents includes Rs. 382.28 Crore, held on behalf of other agencies for execution of Contract, Project Management and Consultancy work on behalf of such agencies and is not freely available for the business of the Corporation.

Annexure IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 SIGNIFICANT ACCOUNTING POLICIES

BASIS FOR PREPARATION OF SUMMARY RESTATED CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements include accounts of NHPC Limited (the Company) and its Subsidiary Company i.e. Narmada Hydroelectric Development Corporation Limited. In subsidiary, the Company has directly or indirectly an interest of more than one half of the voting power or otherwise has power to exercise control over the operation. Subsidiary is consolidated from the date on which effective control is transferred to the Company till the date such control exist. All inter-company transactions, balances and unrealized surpluses and deficits on transactions between Group Companies are eliminated. Consistency in adoption of accounting policy is ensured to the extent practicable.

The Consolidated Financial Statements have been prepared in accordance with historical cost convention, the accounting standards issued by ICAI and the relevant provisions of the Companies Act 1956.

The Consolidated Financial Statements are proposed to be included in Offer Documents to be filed by the Company with SEBI.

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.Fixed Assets created on land not belonging to the Corporation are included under fixed assets. Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.

2.2 Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.

2.3 Land taken for use from State Government (without transfer of title) and expenses on relief and rehabilitation as also on creation of alternate facilities for land evacuates or in lieu of existing facilities coming under submergence and where construction of such alternate facilities is a specific pre condition for the acquisition of the land for the purpose of the project, are accounted for as Land-unclassified, to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project. However, NHDC treats expenses relatable to land, which is going to be sub-merged, as Rehabilitation & Resettlement expenses to be capitalized as Dam cost.

2.4 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation.

2.5 Construction equipments declared surplus are shown at lower of book value and net realisable value..

3. MACHINERY SPARES

3.1(a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.

(b) WDV of spares is charged off to Profit & Loss Account in the year in which such spares are replaced in place of retrieved spares, provided the spares so retrieved do not have any useful life. Similarly value of such spares, procured & replaced in place of retrieved spares, is charged off to Profit & Loss Account in that year itself, provided spares so retrieved do not have any useful life.

(c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value which ever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.

3.2 Other spares are treated as "stores & spares" forming part of the inventory and expensed when issued

4. CAPITAL WORK IN PROGRESS

4.1 Projects under commissioning and other capital work-in-progress are carried at cost. Administration & General overhead expenses attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land and infrastructural facilities.

4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to 'Expenditure During Construction (EDC)'.

4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project.

5. DEPRECIATION & AMORTISATION

5.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. However, Construction Plant & Machinery and Computers & Peripherals are being depreciated @11.25% and @30% respectively, as CERC regulations do not provide depreciation rates for these assets.

5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.

5.3 Assets valuing Rs 5000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.

5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing upto Rs750/- are not capitalized and charged off to revenue.

5.5 Expenditure on software is recognized as `Intangible Assets' to be amortized over three years.

5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

5.7 Capital Expenditure referred to in Policy 2.3 is amortised over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

5.8 Leasehold Land is amortised over the period of lease. In case lease period is yet to be finalised, lease period is taken as 30 years except in case of J&K where lease period is taken as 90 years.

5.9 Fixed Assets created on leasehold land are depreciated to the extent of 90% of original cost over the lease period of land as per Policy No. 5.8 or at the applicable depreciation rate of such assets, which ever is higher.

6. INVESTMENTS

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

7. INVENTORIES

7.1 Stores & Spares are valued at cost, determined on weighted average basis, or net realizable value whichever is lower.

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

7.3 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.

7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores.

8. FOREIGN CURRENCY TRANSACTIONS

8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.

8.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to EDC in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01/04/2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.

9. EMPLOYEE BENEFITS

9.1 Provision for Post employment benefit as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year-end.

9.2 Provision for Leave Travel concession, Leave Encashment & Baggage Allowance admissible on superannuation is made in the books on the basis of actuarial valuation made at the year end.

9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. REVENUE

10.1(a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.

(b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.

(c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.

(d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.

10.2 In respect of Project Management/Consultancy Contracts/Cost plus Contract, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.

10.3 Interest on investments is accounted for on accrual basis.

10.4 Interest / Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to `Self Insurance Reserve' on year to year basis through Profit & Loss Appropriation Account, to be utilized for losses of Assets for specified contingencies.

12. MISCELLANEOUS

12.1. Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.

12.2. Power supplied from Power Stations to Projects under construction is charged as per normal tariff.

12.3 Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.

12.4 Insurance claims are accounted for based on certainty of realization.

13. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

14. TAXES ON INCOME

Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a Pass-through to beneficiaries to the extent relatable to Core activity i. e. Generation of electricity.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

15. GRANTS-IN-AID

Amount of contribution received from the Govt. of Madhya Pradesh towards "Irrigation and R&R Component" and Govt. of Gujarat towards "Sardar Sarovar Component", being not relatable to cost of individual assets are treated initially as Grant in Aid - Reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of such contribution.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2005 TO 31st MARCH 2009

1. During the year ended 31st March 2006,

a) Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.

b) In line with Accounting Standard 26 –'Deferred Revenue Expenditure' earlier being amortized over a specified period, is now charged to revenue in the year of expenditure.

c) Expenditure on VRS is charged to revenue in the year of expenses which was earlier capitalized under CWIP.

2. During the year ended 31st March 2007

Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)),

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Traveling Concession & Baggage Allowance on retirement) were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the (AS-15(R)) is applicable from financial year 2007-08. However, for the purpose of the restated statement, provisions under AS-15 (revised) as far as they relates to Long-term Employee Benefits, has not been applied for the year ended March 31,2006, March 31,2005, and March 31,2004 as the same was not applicable in those years and the impact of which is not readily ascertainable.

3. During the year ended 31st March 2008

a) Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956. No impact on profit as Loss/Gain on Foreign Exchange difference, being recoverable/payable from/to beneficiary states is transferred to Deferred Current Asset / Liability keeping in view the opinion of Expert Advisory Committee of the Institute of Chartered Accountants of India.

b) Modification of accounting policy on Construction Contract.

4. During the year ended 31st March 2009

a) Modification in Significant accounting policy on machinery spares (Policy No. 3.1), whereby retrieved capital spares capable of being re used after repair are being accounted.

b) Modification in Significant accounting policy (Policy No.4.1) as regard to capitalization of administrative & other general overheads expenditures and deletion of earlier Significant accounting policy on allocation of Corporate Office Management Expenses.

c) Introduction of Significant accounting policy for amortization of land and assets created on such land (Policy No.5.8 & 5.9).

d) Modification of Significant accounting policy on self insurance (Policy No. 11) to the extent that Self Insurance reserve is now created through Profit & Loss Appropriation Account instead of charging to Profit & Loss account.

B. Notes on Accounts

1) Impact of changes in the Accounting Polices, Material Adjustments, Extra-ordinary and Prior Period items

(Rs. in Crore)

Sl. No.	Particulars	Financial Year ended 31st March 2009	Financial Year ended 31st March 2008	Financial Year ended 31st March 2007	Financial Year ended 31st March 2006	Financial Year ended 31st March 2005
	Profit after tax (before Minority Interest)	**1331.11**	**1299.44**	**1368.28**	**845.26**	**734.84**
	Adjustment on account of					
1	**Change in the Accounting Policies / method**					
-	Machinery Spares treated as Insurance Spares (note no. 1.1 A (a))	-	-	-	24.38	(2.79)
-	Deferred / Misc. Revenue Expenditure Charged to Revenue (note no. 1.1 A (b))	-	-	1.44	1.39	(0.26)
-	Expenditure on VRS charged to Revenue (note no. 1.1 A (b))	-	-	-	-	(15.00)
-	Amortization & reclassification of R & R expenses / Land unclassified (note no. 1.1 A (c))	(12.97)	(13.22)	(11.36)	(10.52)	(7.33)
-	Modification of accounting policy No. 4.1 (note no. 1.1 A (d))	0.75	(23.99)	(24.29)	(25.25)	(19.20)
-	Impact of creation of self insurance reserve (note no. 1.1 A (e))	-	105.94	76.66	72.80	59.84
	Total	**(12.22)**	**68.73**	**42.45**	**62.80**	**15.26**
2	**Material Adjustments**					
-	Sale of energy (note no. 1.1 A (f))	17.01	(16.41)	(273.23)	99.57	55.84
-	Effect of Scheme for settlement of SEB dues and return of bonds (note no. 1.1 A (g))	-	-	-	(4.26)	(0.60)
-	Advance against depreciation (note no. 1.1 A (h))	-	-	19.31	(1.62)	(7.51)
-	Wage revision (note no. 1.1 A (i))	-	-	-	13.26	(2.76)
-	Provision no longer required (note no. 1.1 A (j))	-	(1.42)	(3.18)	2.61	(93.58)
-	Surcharge (note no. 1.1 A (k))	-	-	-	(14.33)	-
-	Interest from beneficiary of earlier year (note no. 1.1 A (l))	-	(14.89)	2.95	9.28	3.30
-	Project expenses written off (note no. 1.1 A (m)	5.22	(1.01)	(3.59)	(0.62)	-
-	Provisions (note no. 1.1 A (n))	65.07	(9.72)	(6.62)	(13.67)	(16.07)
	Total	**87.30**	**(43.45)**	**(264.36)**	**90.22**	**(61.38)**

3	**Prior Period Adjustment** (note no. 1.1 A (o))	5.52	25.14	(4.66)	(12.17)	(4.87)
4	**Income tax relating to earlier years** (note no. 1.1 A (o))	(16.88)	15.15	27.51	5.61	19.56
5	**Total (Impact of Adjustments)**	**63.72**	**65.57**	**(199.06)**	**146.46**	**(31.43)**
6	**Adjusted Profit After Tax (before minority Interest)**	**1,394.83**	**1,365.01**	**1,169.22**	**991.72**	**703.41**

1.1 NOTES ON ADJUSTMENTS CARRIED OUT

A) Having impact on Profit

a. Amount of machinery spares treated as insurance spares, capitalized and depreciated over the residual life of machinery and WDV of such spares charged to revenue in the year of consumption adjusted in respective years.

b. The deferred revenue, preliminary expenses, expenditure on VRS has been charged off to revenue in the year of expense.

c. Payments relating to Rehabilitation and Resettlement have been treated as land un classified instead of Dam cost in respect of Subsidiary company. Depreciation there on has been recalculated at rates as those applied by the holding company.

d. Expenditure towards administrative & general overheads not specifically attributable to construction of assets charged to revenue.

e. Self insurance reserve, which was created by charge to Profit & Loss account, has now been routed through appropriation account.

f. Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective year and adjustment of amount recoverable against restatement of tax for earlier years.

g. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.2564.41 Crore against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.253.62 Crore were converted into interest bearing long term advance with effect from 1st October, 2001 Adjustment in respect of the aforesaid and incentive under the Scheme have been carried out in the respective years..

h. Advance against Depreciation adjusted in the relevant years as per tariff orders of CERC.

i. Arrears paid on account of revision of pay scales (1997) and other emoluments have been adjusted in respective years.

j. Estimated provision against incentive payable to beneficiary reversed after assessment of actual liability based on terms of the tariff order of CERC.

k. Surcharge received through Bonds has been adjusted in respective year.

l. Interest from beneficiary states in respect of subsidiary pertaining to earlier years, received in 2007-08, is adjusted in respective years.

m. Project expenses written off in 2008-09 are taken in respective year in which such expenditure incurred.

n. Provisions made toward project expenses and doubtful debts have been taken in respective year to which such expenditure/debt belongs.

o. The prior period items / income tax relating to earlier years in the profit and loss account have been re-allocated to respective years.

B) Having no impact on the Profit

a. Material Regrouping

Profit on transfer of projects has been treated as extra ordinary items and is shown as such while preparing the restated financials of the company.

b. The shareholders in the Extra-Ordinary General Meeting held on March 13, 2007 have approved the sub-division of equity shares of face value of Rs.1000/- each into hundred equity shares of face value of Rs.10 each. Subsequent to this sub-division, the authorized equity share capital of Rs.15000 Crore has been divided into 1500 Crore equity shares of Rs. 10/- each and the issued, subscribed and paid up capital of Rs. 11198.21 Crore, as on 31st March 2007 has been divided into 1119.82 Crore equity shares of Rs. 10/- each. Accordingly, all accounting ratios have been computed on the basis of number of equity shares post-split.

The accounts for the years 2004-05 to 2008-09 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of changes for the financial years prior to 2004-05 has been adjusted in the General Reserve as at 1st April 2004.

C) Adjustment not carried out
Qualification of the Auditors

a. The Auditors in their report for the period ended, March 2008, March 2007 & March 2006 has qualified that requirement of amended clause 33 of the Articles of Association regarding "Independent Directors should not be less than 50% of the actual strength of the Board", has not been complied with.

Since the aforesaid qualification does not have any financial impact over the profitability of the Company, no adjustment was carried out. In our opinion, this is a statement of the fact as stated by the auditors.

b. The financial statement of the Subsidiary Company for the year ended 31st March 2006 states that effect of the Change in the Accounting Policy for treatment of Machinery spares as Insurance spares has not taken, in view of the cost of such spares is not known and therefore the impact on profit is not ascertainable.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference if any, in the Restated Summary Statements.

2) Contingent Liabilities

(Rs. in Crore)

Particulars	Financial year ended 31.03.2009	Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005
Claims against the Company not acknowledged as debts in respect of					
Capital Works	4059.23	3328.53	1929.42	1354.20	1009.40
Land Compensation Cases*	1839.09	1892.90	1856.86	1686.00	150.45
Other	411.33	354.44	354.12	488.58	587.41
Disputed Income Tax Demand , Excise and Sales Tax	2062.41	2045.53	2055.53	2090.19	2109.47
Total	**8372.06**	**7621.40**	**6195.93**	**5618.97**	**3856.73**

**Contingent Liability in respect subsidiary for land compensation cases pending in various courts has been taken to respective years to which such liability pertains.*

3) **Estimated amount of contracts remaining to be executed on capital account and not provided for**

(Rs. in Crore)

Financial year ended 31.03.2009	Financial year ended 31.03.2008	Financial year ended 31.03.2007	Financial year ended 31.03.2006	Financial year ended 31.03.2005
9845.25	8585.74	8844.81	9006.45	7163.38

4) **Other significant notes on account as on 31st March 2009:**

a. Title deeds/title in respect of Land of some Projects/Units amounting to Rs.92.69 Crore (Previous year Rs. 52.10 crore), covering an area of 2046.46 hectare (Previous year 2080.40 hectare), are yet to be executed/passed. Expenses on stamp duty etc. relating to registration thereof will be accounted for as and when incurred.

b. Land measuring 722 Kanal & 18 marlas and structure created thereon in respect of Salal Power Station, though in possession of J&K Govt., is appearing in respective fixed assets heads.

c. Sales for current year include Rs.(-)6.75 Crore toward income tax, billing of which is yet to be done. Sales in respect of Dulhasti, Teesta V and Omkareshwar Power Stations have been accounted for based on provisional tariff notified by Central Electricity Regulatory Commission (CERC).

d. Since the issue of payment of incentive to M/s Delhi Transco Limited has not been resolved, Rs.32.97 Crore is continuing under "Other Current Assets" as well as under "Other Liabilities".

e. Balances shown under Material issued to contractors, claims recoverable including insurance claims, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/ confirmation and respective consequential adjustments. Claims recoverable also include claims in respect of projects handed over or decided to be handed over to other agencies in terms of Government of India Directives.

f. "Loans & Advances" include Rs.244.44 Crore given as Advance to Contractors & Suppliers in respect of Contracts, Project Management and Consultancy works being executed by Corporation on behalf of other agencies.

g. 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.

h. Out of Rs. 84.89 Crore, as demanded by JKSPDC for projects taken over by Corporation from J&KPDC, Rs.26 crore has been paid by Corporation against accountal of Rs.33.66 Crore against total demand and Rs.51.23 Crore is appearing under contingent liability, which shall be accounted for in the books on reconciliation of assets of projects thus taken over with accounts submitted by them. The Corporation is also having a claim of Rs.37.55 Crore against JKSPDC in respect of projects handed over or decided to be handed over to JKSPDC.

i. Pakal Dul & Loktak Down Stream HE Projects are to be executed through Joint Venture Companies with participation from state Government. Pending formation of Joint Venture Companies, expenditure amounting to Rs.101.03 Crore & Rs. 30.99 Crore resepectively incurred by NHPC on these two projects upto 31.03.2009 is appearing under Capital Work-in-Progress. Similarly Kiru & Kwar HE Projects, entrusted to Corporation for preparation of DPR, are also to be executed through Joint Venture Company. Pending formation of Joint Venture Company, expenditure of Rs.28.49 Crore incurred by Corporation on these Projects is appearing under Capital Work-in-Progress.

j. Siang Basin, Subansiri Basin & Dibang Multipurpose Projects were taken over from Brahmputra Board. Pending settlement of account with Brahmputra Board, assets and liabilities have been booked to the extent of amounts incurred by the Corporation on these projects. Of the Siang Basin Projects, Siang Lower & Siyom HE Projects have since been handed over to private developer and liability arising out of settlement of accounts with Brahmputra Board towards Siang Lower & Siyom projects is recoverable from respective private developer. Upper Siang HE project, a project of siang basin, has since been allotted to other agency for preparation of Pre-feasibility report and as such expenditure incurred on this project till 31.03.2009 amounting to Rs.37.06 Crore has been provided in the books as abundant precaution.

k. Profit on Transfer of Project pertains to transfer of Lower Siang Project, which has been handed over to private developer as referred to in (j) above.

l. Project work at Subansiri Upper & Subansiri Middle is under suspension due to the Hon' able Supreme Court order dated 19.04.2004 in Interlocutory Applications (IAs) 966 & 1012, restraining the construction of dam upstream of Subansiri River. Pending disposal of said IAs, capital expenditure of Rs.40.35 crore & Rs.34.78 Crore respectively is appearing under Capital Work In progress and as abundant precaution expenditure incurred towards Survey & Investigation including expenditure during construction on these projects from 20.04.2004 to 31.03.2009 has been provided in the books in current year.

m. The depreciation on Fixed Assets is charged as per Significant Accounting Policy No.5 of the Corporation. Ministry of Power (MOP) has already notified tariff policy which provides that rates of depreciation as notified by the Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. The revised rates of depreciation as notified by CERC have been made applicable w.e.f. 01.04.2009. Accordingly, the rates notified under present tariff norms have been considered for charging depreciation for the year. The depreciation for the year as per rates prescribed under schedule XIV of the Companies Act, 1956 works out to Rs.521.43 crore more than that worked out as per CERC rates (previous year Rs.451.37 crore). However, the Management considers the depreciation provided in the books as appropriate and adequate keeping in view matching concept of Accounting.

n. Pending implementation of wage revision of Employees w.e.f 01.01.2007, a provision of Rs.215.20 Crore has been made in the books for current year on reasonable estimate basis.

o. Electricity generation is the principal business activity of the Company. Other operations viz., contract works and consultancy services do not form a reportable segment as per the Accounting Standard – 17 on Segment Reporting issued by the Institute of Chartered Accountants of India. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.

p. The Management is of the opinion that no case of impairment of assets exists under the provision of Accounting Standard (AS)-28 on Impairment of assets as at 31st March 2009.

q. Provisions for employee benefits under the provision of Accounting Standard 15 (Revised 2005) for the year have been made on the basis of Actuarial Valuation done as at 31.03.2009.

r. In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries up to 31.03.2009.

s. Cash & cash equivalents include Rs.382.28 Crore, held on behalf of other agencies for execution of Contract, Project Management and Consultancy work on behalf of such agencies and is not freely available for the business of the Corporation.

t. Quantitative details in respect of Energy produced and sold:-

		For the year 2008-09	**For the year 2007-08**
(i)	Licensed Capacity (M.W.)	Not applicable	Not Applicable
(ii)	Installed Capacity (M.W.)*	5134.20	4794.20

(iii)	Actual Generation (Million Units) **	18951.17	18094.56
(iv)	Actual Sales (Million Units) ***	16932.89	16181.29

**Commercial Operation of Unit No. 1 & Unit No. 3 of Teesta V Power Station started from 10.04.2008 & 3.04.2008 respectively.*

*** including infirm Power & excluding Auxiliary Consumption & Transformation Loss.*

**** excluding infirm Power & free Power to Home States.*

Annexure-V

STATEMENT OF DIVIDEND PAID BY THE COMPANY -CONSOLIDATED

(Rs. in Crore)

Particulars	For the Year Ended as at					
	March 31, 2009		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
Equity Share Capital						
Face Value (Rs)*	10		10	10	10	10
Nos.	11182493430		11182493430	11198212500	10215282000	9425619700
Rate of Dividend (%)						
Interim	1.12		0.89	0.64	0.63	0.64
Final	1.79		1.79	1.84	1.56	0.85
Amount of Dividend						
Interim	125.00		100.00	72.00	64.00	60.00
Final	200.00	@	200.00	206.00	159.00	80.00
Corporate Dividend Tax	63.03	#	67.79	56.69	34.25	20.10

* Face value of equity shares has been sub divided from Rs.1000/- per share to Rs.10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated from earlier years.

@ Proposed dividend.

Dividend distribution tax on dividend received from subsidiary has not been netted.

Annexure - VI
STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT - CONSOLIDATED

S. No.	Key Ratio	Year Ended as at				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
A	**Earning Per Share (Rs.)***					
	Basic	1.08	1.04	1.00	0.87	0.74
	Diluted	1.08	1.04	0.97	0.85	0.71
B	Return on Net Worth (%) #	6.58	6.62	6.29	5.64	4.66
C	Net Assets Value per share (Rs.) #	16.45	15.68	14.89	14.51	14.22
D	**Weighted Average number of Equity shares used as denominator**					
	Basic	11182493430	11174850574	10502319459	9897284400	8881641900
	Diluted	11182493430	11183030042	10822615290	10226184900	9215475700
E	**Total number of shares outstanding at the end of the year/period @**	11182493430	11182493430	11207043400	10561163000	9918343700

(i) # Share Capital Deposit and GOI fund adjustable to equity has been considered in Net Worth.

(ii) *Face value of equity shares has been sub divided from Rs.1000/- per share to Rs.10/- per share during financial year 2006-07. Accordingly face value of equity share and the number of shares have been restated from earlier years.

(iii) @ Out standing number of shares has been adjusted to the extent of equivalent share of Rs.10/- each for Share Capital Deposit and GOI funds adjustable toward equity, for which share has been issued subsequently or commitment for issue of shares is there.

(iv) The ratios have been computed as below

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after tax and Before Extra Ordinary Items}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth \%} = \frac{\text{Net Profit after tax and Before Extra Ordinary Items}}{\text{Net worth Equity excluding revaluation reserve / Capital Grant recd against Fixed Assets}}$$

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

Annexure-VII

CAPITALISATION STATEMENT OF THE OUR COMPANY-CONSOLIDATED

(Rs. in Crore)

Sl. No.	Particulars	Pre-Issue as at 31st March 2009	Post Issue
A.	**Debt:**		
	a) Short-term Debt	2,818.11	
	b) Long-term Debt	12,112.86	
	Total Debt:	**14,930.97**	
B.	**Equity**		**
	a) Equity Share Capital	11,182.49	
	b) Reserves & Surplus	7,212.36	
	Total Equity	**18,394.85**	
	Less: Miscellaneous Expenditure to the extent not written off	2.33	
	Net Worth	**18,392.52**	
C.	**Long-term Debt/Equity**	0.66 :1	

** These figures can be ascertained only on the conclusion of the book building process.

Annexure- VIII
STATEMENT OF SECURED LOANS - CONSOLIDATED

(Rs. in Crore)

Particulars	**As at**				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
BONDS (refer Note 1 below)	513.00	570.00	570.00	1,000.00	1,028.00
TERM LOANS					
Term Loan from Banks /FIs-Indian Currency-Secured (refer Note 2 below)	10,210.45	9,332.65	6,992.63	5,138.24	4,476.26
Total (Secured Loan)	**10723.45**	**9,902.65**	**7,562.63**	**6,138.24**	**5,504.26**

Note 1

BOND Series	**Loan amount as at 31st March, 2009**	**Security Mortgaged**	**Interest Rate**	**Repayment terms**
15 year Bond of Rs.100,000,000/- (O-Series, Private Placement)	513.00	* 2	7.70%	Yearly redemption of Rs.57 Crores w.e.f. 31.03.09
	513.00			

Note 2
The terms and conditions of the term loans from Banks and FIs, outstanding as at March 31, 2009, including interest rates, principal terms of Security and repayment terms are as under:

Name of the Lender	**Loan amount as at 31st March, 2009**	**Security Mortgaged**	**Interest Rate (%)**	**Repayment terms**
CANARA BANK	68.00	*1	6.75	In 5 equal yearly instalment w.e.f. 31.01.09
INDIAN OVERSEAS BANK	37.50	*1	9.50	In 4 equal yearly instalment w.e.f. 06.12.08
STATE BANK OF PATIALA	32.00	*1	8.32	Repayable in 20 half yearly instalments w.e.f 9.7.2007
BANK OF INDIA	75.00	*3	10.25	In 10 years in 40 equal quarterly instalment w.e.f. 24.12.06
CENTRAL BANK OF INDIA	50.00	*3	9.50	In 20 half yearly instalment of Rs.5 crore w.e.f. 2.5.04
HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	64.29	*3	10.50	In 14 equal half yearly instalment w.e.f. 13.02.07
PUNJAB & SIND BANK	75.00	*3	11.00	In 40 quarterly instalment in 10 years

				w.e.f. 24.10.06
PUNJAB NATIONAL BANK	82.50	*3	8.75	In 10 years in 20 half yearly instalment w.e.f. 26.10.04
STATE BANK OF PATIALA	32.14	*3	10.75	In 14 half yearly instalment w.e.f. 30.01.07
STATE BANK OF HYDERABAD	32.14	*3	11.00	In 14 half yearly instalment w.e.f. 07.01.07
STATE BANK OF INDIA	85.71	*3	10.50	In 14 half yearly instalment w.e.f. 18.09.06
CANARA BANK	40.00	*4	11.00	In 4 equal yearly instalment w.e.f. 28.06.09
L I C OF INDIA	2500.00	*5 & *7	8.00 & 9.25	In 24 half yearly instalment in 12 years w.e.f. 15.04.09
CANARA BANK	160.00	*2	6.86	In 10 equal yearly instalment w.e.f. 09.11.07
SYNDICATE BANK	146.40	*2	7.21	In 10 equal yearly instalment w.e.f. 23.02.08
ORIENTAL BANK OF COMMERCE	160.00	*2	7.21	In 10 equal yearly instalment w.e.f.31.03.08
ORIENTAL BANK OF COMMERCE	100.00	*2	7.21	In 10 equal yearly instalment w.e.f. 27.12.11
LIFE INSURANCE CORPORATION OF INDIA	1896.00	*6	13 year G-sec plus 75bps	In 24 half yearly instalment in 12 years w.e.f. 30.04.12
INDIAN BANK	100.00	*1	7.7	In 3 equal yearly instalment w.e.f. 28.02.12
POWER FINANCE CORPORATION LTD.	296.00	*8	AAA 3 Year Yield Corp. Bonds plus 50Bps	40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	176.70	*8		40 equal quarterly instalment w.e.f. 15.10.08
POWER FINANCE CORPORATION LTD.	70.00	*8		40 equal quarterly instalment w.e.f. 15.10.11
POWER FINANCE CORPORATION LTD.	507.00	*2 & 3		40 equal quarterly instalment w.e.f. 15.07.11
POWER FINANCE CORPORATION LTD.	413.00	*1		40 equal quarterly instalment w.e.f. 15.07.09
POWER FINANCE CORPORATION LTD.	500.00	*1		40 equal quarterly instalment w.e.f. 15.01.10
PUNJAB & SINDH BANK	41.67	*10	7.67	Due for repayment within one year
SIDBI	83.34	*10	7.67	Repayable in 12 annual equal installments

				commencing from 31.12.2007
UNION BANK OF INDIA	83.33	*10	7.67	Repayable in 12 annual equal installments commencing from 31.12.2007
PUNJAB NATIONAL BANK	229.17	*10	7.67	Repayable in 12 annual equal installments commencing from 31.12.2007
INDIAN OVERSEAS BANK	41.67	*10	7.67	Repayable in 12 annual equal installments commencing from 31.12.2007
BANK OF BARODA	12.50	*10	7.67	Repayable in 12 annual equal installments commencing from 31.12.2007
POWER FINANCE CORPORATION LTD.	1282.50	*9	11.89	Repayable in 20 half yearly equal installments w.e.f. 15.01.2009
CENTRAL BANK OF INDIA	48.00	*11	10.10	Due for repayment within one year
DENA BANK	83.33	*11	9.50	Due for repayment within one year
THE JAMMU & KASHMIR BANK LTD.	10.12	*11	8.65	Due for repayment within one year
ORIENTAL BANK OF COMMERCE	504.46	*10	10.50	Due for repayment within one year
SYNDICATE BANK	7.65	*11	7.00	Due for repayment within one year
UNITED BANK OF INDIA	83.33	*10	9.50	Repayable in 12 annual equal installments commencing from 31.12.2007

Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Chamera Power Station-I situated in the state of HP except for Book Debts and Stores.

Secured by pari-passu charge by way of Equitable mortgage/hypothecation against Immovable/Moveable assets of Corporation's Uri -I Power Station situated in the state of Jammu & Kashmir except for book debts and stores.

Secured by pari-passu charge by way of Equitable mortgage/ hypothecation against Immovable / Moveable assets of Corporation's Chamera Power Station-II situated in the state of HP except book debts & stores.

Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of Company's Loktak Power Station situated in the state of Manipur except for book debts and stores.

Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Company's Parbati HE Project-II situated in the state of HP.

Secured by the hypothecation of the moveable assets of the Corporation's Subansiri Lower H.E.Project situated in the state of Arunachal Pradesh & equitable mortgage/hypothecation against immovable/moveable assets of Corporations Teesta Low Dam-III Project situated in the state of West Bengal and Teesta V H.E. Projects situated in the State of Sikkim.

Secured by a first pari-passu mortgage and charge over all the immoveable and moveable assets of the Company's Dhauliganga Power Station situated in the state of Uttrakhand except for book debts & stores.

Secured by way of first charge by way of hypothecation on whole of the Corporation's movable assets, both present and future, of Dulhasti Power Station situated in the state of Jammu & Kashmir except for book debts & stores.
Secured by first pari-passu charge in favour of the lenders over all the assets, both present and future of the Omkareshwar Power Station.
Secured by first pari-passu charge in favour of the lenders over all the assets, both present and future of the Indira Sagar Power Station.
Secured by first pari-passu charge in the favour of lenders over against FDR's.

Annexure-IX

STATEMENT OF UNSECURED LOANS - CONSOLIDATED

(Rs. in Crore)

Particulars	As at				
	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
TERM LOANS					
i) Term Loan From Banks/FIs - Indian Currency	-	-	-	100.00	100.00
ii) Term Loan From Banks/FIs - Foreign Currency					
(a) Guaranteed by Government of India	3187.65	2,737.41	2,710.04	2,888.40	2,698.05
(b) Others	-	15.43	199.12	204.79	219.49
iii) Loan from Government of India					
Loan from Government-unsecured	34.00				
iv) From Public Sector Bank	985.87			150.00	624.25
Total	**4,207.52**	**2,952.84**	**2,909.16**	**3,343.19**	**3,641.79**

Name of the Lender	As at March 31, 2009	rate of Interest	Repayment terms
Term Loan From Banks/FIs - Foreign Currency			
(a) Guaranteed by Government of India			
Nordic Investment Bank	51.84	6m USD libor+0.15%	Repayable in 23 equal semi annual installments w.e.f. 24.01.2000
Credit Commercial DE France	173.53	8.96%	Repayable in 17 equal semi annual installments w.e.f. 30.06.2002
Export Development Canada	363.24	6.01%	Repayable in 24 equal semi annual installments w.e.f. 15.09.2004
Japan Bank of International Cooperation Tranche-I	217.08	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.01.2006
Japan Bank of International Cooperation Tranche-II	795.94	2.30%	Repayable in 41 equal semi annual installments w.e.f. 20.12.2007
Japan Bank of International Cooperation Tranche-III	625.68	1.30%	Repayable in 41 equal semi annual installments w.e.f. 20.03.2014
Deutsche Bank & Others	960.34	6m JPY libor+0.57%	Repayable in 20 equal semi annual installments w.e.f. 18.04.2009
(b) Others			
Loan from Government of India	34.00	subordinate debt	Repayable in 18 equal annual installments from the 12th year commencing after commissioning
(c) Short term loans			
Bank of Baroda	100.00	6.90%	Due for repayment within one year.
Bank of Baroda	100.00	6.90%	Due for repayment within one year.

Bank of Maharashtra	100.00	7.25%	Due for repayment within one year.
Indian Overseas Bank	300.00	7.20%	Due for repayment within one year.
Indian Overseas Bank	200.00	7.20%	Due for repayment within one year.
Allahabad Bank	184.23	10.50%	Due for repayment within one year.
Allahabad Bank	1.64	10.50%	Due for repayment within one year.
TOTAL UNSECURED LOANS	**4,207.52**		

Annexure-X

STATEMENT OF INVESTMENTS – CONSOLIDATED

(Rs. in Crore)

Particulars	As at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Unquoted					
Tax Free State Government Special Bonds	1778.00	2034.43	2307.97	2564.41	2564.41
Equity Shares in JV - National Power Exchange Ltd.	0.83	0	0	0	0
Quoted					
Equity Shares	12.36	12.36	12.36	12.36	12.36
Sub Total	**1791.19**	**2046.79**	**2320.33**	**2576.77**	**2576.77**
Less: Provision for permanent diminution in Investment	0.00	0.00	0.00	0.00	0.00
Total	**1791.19**	**2046.79**	**2320.33**	**2576.77**	**2576.77**
Aggregate Book value of Quoted Investments	12.36	12.36	12.36	12.36	12.36
Aggregate Market value of Quoted Investments - BSE	84.86	120.20	75.18	74.36	60.47
Aggregate Book value of Un quoted Investments	1778.83	2034.43	2307.97	2564.41	2564.41

Annexure - XI
STATEMENT OF SUNDRY DEBTORS, AS RESTATED - CONSOLIDATED

(Rs. in Crore)

S. No.	Particular	As at				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	Debts Unsecured					
i)	**Debts outstanding for a period exceeding six months**					
	- Considered good	392.78	575.25	138.21	433.07	387.27
	- Considered doubtful and provided	194.97	77.13	75.94	77.07	77.56
ii)	**Other debts**					
	- Considered good	370.86	311.21	754.43	142.28	262.56
		958.61	**963.59**	**968.58**	**652.42**	**727.39**
	Less: Provision for doubtful debts	194.97	77.13	75.94	77.07	77.56
	TOTAL	**763.64**	**886.46**	**892.64**	**575.35**	**649.83**

Annexure-XII

STATEMENT OF LOANS AND ADVANCES- CONSOLIDATED

(Rs. in Crore)

Particulars	As at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Loans- to Employees including interest accrued thereon)					
Secured - Considered good	107.69	108.60	101.17	97.59	84.04
Unsecured - Considered good	28.03	28.65	31.56	32.55	41.41
Unsecured - considered doubtful	0.16	0.00	0.00	0.00	0.00
Advance Recoverable in Cash or kind or Value to be received					
Secured - considered good	0.13	0.07	35.14	0.30	0.35
Unsecured - considered good	354.51	32.65	28.96	15.48	9.99
Unsecured - considered doubtful	2.90	0.50	0.46	0.44	0.52
Less : Provisions for doubtful advances and claims	3.06	0.50	0.46	0.44	0.52
	490.36	**169.97**	**196.83**	**145.92**	**135.79**
Long Terms Advances to State Government in Settlement of Dues	190.22	215.58	253.62	253.62	253.62
Advance to Government of Arunachal Predesh	225.00	225.00	0.00	0.00	0.00
Deferred Foreign Currency Fluctuation Assets	344.64	151.51	0.00	0.00	0.00
Other Recoverables (Net)	0.00	0.00	0.00	0.03	12.00
Advance income tax (net of provision)	35.10	27.64	13.04	23.20	8.00
TOTAL	**1285.32**	**789.70**	**463.49**	**422.77**	**409.41**

Annexure-XIII
STATEMENT OF OTHER INCOME - AS RESTATED - CONSOLIDATED

(Rs. in Crore)

Particulars	For the year ended at				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Other Income	372.54	181.56	76.63	58.95	42.13
Profit before minority interest, Tax and Extraordinary Items	1529.35	1487.41	1366.42	1067.64	780.65
Percentage	24.36	12.21	5.61	5.52	5.40

Detail of other income

Particulars	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	Nature of Income
Income from Deposit/Advance/Term Deposit	258.57	109.54	47.61	24.77	11.77	Recurring
Interest from Beneficiaries	40.18	44.46	4.45	9.28	3.31	Recurring
Dividend Income	1.33	1.30	1.29	1.00	1.04	Recurring
Surcharge on late payment from Customer	17.07	2.06	7.92	10.10	2.79	Recurring
Profit on sale of Assets/Scrap	0.85	2.86	1.07	1.02	3.72	Recurring
Other Miscellaneous Income	54.54	21.34	14.29	12.78	19.50	Recurring
TOTAL	**372.54**	**181.56**	**76.63**	**58.95**	**42.13**	

Annexure XIV

STATEMENT OF TAX SHELTER - CONSOLIDATED **(Rs. in Crores)**

		For the year ended at				
	PARTICULARS	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	Rate of Tax	**33.99%**	**33.99%**	**33.66%**	**33.66%**	**36.59%**
A.	**PROFIT BEFORE TAX AS RESTATED (refer note no.1) (A)**	1617.14	1574.03	1377.17	1071.08	783.11
	NOTIONAL TAX ON BOOK PROFIT	549.66	535.02	463.55	360.53	286.56
	ADJUSTMENTS					
B	**PERMANENT DIFFERENCES**					
	Dividend Income exempt u/s 10(34)	(51.75)	(36.06)	(12.12)	(4.46)	(2.26)
	Donations	2.09	0.07	0.03	0.01	1.00
	Interest on tax free power bonds	(185.26)	(209.22)	(234.08)	(239.53)	(239.53)
	Tax Holiday Claim u/s 80-IA	(353.41)	(157.64)	(72.73)	0.00	0.00
	Others	15.75	19.34	19.74	23.54	19.25
	TOTAL PERMANENT DIFFERENCE (B)	(572.58)	(383.51)	(299.16)	(220.44)	(221.54)
C	**TIMING DIFFERENCE**					
	Diff. Between book depreciation and Tax depreciation	(1226.34)	(1297.60)	(365.33)	(813.60)	(722.80)
	Profit on sale of assets	(0.85)	(2.86)	(0.60)	(0.74)	(3.06)
	Loss on sale of assets	0.30	1.36	0.54	0.12	5.88
	Tax, duty and other sum u/s43B	85.11	27.88	33.29	27.12	27.07
	Others	177.31	27.20	7.88	11.42	8.95
	Adjustment for brought forward losses/ unabsorbed depreciation (utilized)/created	(80.09)	53.50	(753.79)	(74.96)	122.39
	TOTAL TIMING DIFFERENCES (C)	(1044.56)	(1190.52)	(1078.01)	(850.64)	(561.57)
D	**NET DIFFERENCES (B) +(C)**	(1617.14)	(1574.03)	(1377.17)	(1071.08)	(783.11)
	TAX SAVINGS THEREON	549.66	535.02	463.55	360.53	286.56
E	**TAXABLE INCOME AS PER IT RETURN (A)+(D)**	0.00	0.00	0.00	0.00	0.00
F	**TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)**					
	Tax rate u/s 115JB	11.33%	11.33%	11.22%	8.42%	7.84%
	Tax u/s115JB	161.34	163.93	185.88	60.43	61.32
	TOTAL TAX AS PER RETURN	161.34	163.93	185.88	60.43	61.32
	TAX ON EXTRA-ORDINARY ITEMS	4.25	5.89	0.00	0.00	0.00
	TAX ON PROFIT BEFORE EXTRA-ORDINARY ITEMS	157.09	158.04	185.88	60.43	61.32
G	**CARRIED FORWARD LOSSES/ UNABSORBED DEPRECIATION AT THE YEAR END**	292.06	372.15	318.65	1072.44	1147.40

Note 1:- The aforesaid statement of Tax Shelter has been prepared on the line of Accounting Standards interpretation (ASI) 26 on Accounting Standard (AS) 21 'Consolidated Financial Statements' given by the Institute of Chartered Accountants of India. As per ASI-26 in consolidated financial statement, tax expenses are to be shown as a aggregate amount of tax expense appearing in the separate financial statements of parent and subsidiary

Note 2:- In line with Power tariff agreements with State Electricity Boards, tax liability on generation income was pass through to beneficiaries till FY 2008-09. However w.e.f. 01.04.2009 the income tax recovery is to be effected by grossing up of return on equity component of tariff with applicable tax rate.

Note 3: The figures for the year ended at March 31, 2009 are based on the provisional computation of total income.

Annexure – XV

RELATED PARTY TRANSACTIONS

Statement of Related Party Transactions

1) **List of Related Parties**

a) **Subsidiary Company / Joint ventures**

- **Narmada Hydroelectric Development Corp Ltd.** - 51% Share Holding in the Company
- **PTC India Ltd. –** 5.28% Share Holding in the Company.
- **National Power Exchange Ltd.** – 8% Share holding in the Company

b) **Key Management Personnel**

In compliance of Accounting Standard –18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:

As on 31^{st} March 2009

NHPC

Whole time Directors:

Shri S.K. Garg	Chairman & Managing Director
Shri A B L Srivastava	Director (Finance)
Shri D. P. Bhargava	Director (Technical)- assumed office w. e. f. 26.03.2009
Shri J. K. Sharma	Director (Projects)- assumed office w.e.f. 10.04.2009
Shri R. S. Mina	Director (Personnel)- assumed office w.e.f. 28.04.2009
Shri S.K. Chaturvedi	Director (Personnel)- relieved w.e.f. 31.07.2008
Shri S. P. Sen	Director (Technical) - relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects) – superannuated on 31.07.2008

NHDC

Shri D. P. Bhargava	Whole time Director & designated as Chief Executive Director (upto 31.05.2008)
Shir K. M Singh	Whole time Director & designated as Chief Executive Director (from 01.06.2008 onwards)

As on 31st March 2008.

NHPC (Whole time Directors):

Shri S.K. Garg	Chairman & Managing Director
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)-Relieved w.e.f. 08.05.2008
Shri S. K. Dodeja	Director (Projects)
Shri A B L Srivastava	Director (Finance)-Appointed w. e. f. 11.02.2008

NHDC (Directors)

Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director.

As on 31st March 2007.

NHPC (Whole time Directors)

Shri S.K. Garg	Chairman & Managing Director w. e. f. 23/01/2007. Also holding additional charge of Director (Finance). Earlier Director (Finance) with additional charge of Chairman & Managing Director w. e. f. 01.10.2005.
Shri S.K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical)
Shri S. K. Dodeja	Director (Projects) w. e. f. 02/09/2006.

NHDC (Directors)

Shri T. Mandal	Whole time Director & designated Chief Executive Director (from 19.09.2006 to 28.02.2007).
Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director (w. e. f. 28.02.2007).

As on 31st March 2006

NHPC (Whole time Directors)

Shri S. K. Garg	Director (Finance) with additional charge of Chairman & Managing Director w.e.f 01.10.2005
Shri S. K. Chaturvedi	Director (Personnel)
Shri S. P. Sen	Director (Technical) (Joined on 04.08.2005)

Shri A. K. Gangopadhyay	Director (Projects with additional charge of Director (Technical) up to 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005 (Retired on 30.09.2005 after attaining the age of superannuation).
Shri Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation)

NHDC(Directors)

Shri. S. K. Garg	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Uday Kumar Verma	Director
Shri S K Dodeja	Chief Executive Director
Shri R K Taneja	Director
Shri I C Jain	Director
Shri Rajesh Dongre	Director

As on 31st March 2005

NHPC (Whole time Directors)

Shri A. K. Gangopadhyay	Director (Projects) with additional charge of Director (Technical) upto 03.08.2005 and Chairman & Managing Director w.e.f. 01.05.2005)
Shri S. K. Garg	Director (Finance)
Shri S. K. Chaturvedi	Director (Personnel) (joined on 08.10.2004)
Shri. Yogendra Prasad	Chairman & Managing Director (Retired on 30.04.2005 after attaining the age of superannuation).
Shri R. K. Sharma	Director (Technical) (Upto 21.10.2004)

NHDC (Directors)

Shri A K Gangopadhyay	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Ranvir Singh	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri J K Tiwari	Director

Shri Rajesh Dongre	Director

2) Remuneration paid/payable to Key Management Personnel

NHPC

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
(i)	Salaries & Allowances	0.47	0.40	0.28	0.42	0.34
(ii)	Contribution to Provident Fund	0.03	0.03	0.03	0.04	0.03
(iii)	Rent for Residential Acco.	0.11	0.09	0.08	0.08	0.07
(iv)	Other benefits	0.03	0.02	0.03	0.03	0.03
(v)	Sitting fees	0.08	-	-	-	-

NHDC

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
(i)	Salaries & Allowances	0.15	0.09	0.03	0.06	0.07
(ii)	Contribution to Provident Fund	0.01	0.01	0.00	0.01	0.01
(iii)	Rent for Residential Acco.	0.02	0.01	0.01	0.00	0.00
(iv)	Other benefits	0.02	0.01	0.01	0.00	0.00

3) Other transactions with PTC India Ltd.

(Rupees in Crore)

		For Year ended 31/03/09	**For Year ended 31/03/08**	**For Year ended 31/03/07**	**For Year ended 31/03/06**	**For Year ended 31/03/05**
1	Investment	0.00	0.00	0.00	0.00	0.00
2	Dividend Recd	1.20	1.20	1.20	0.96	0.96

The transaction with the related parties, for which disclosures are required to be made in terms of AS 18, has been disclosed above. Other Related Party is 'State-controlled Enterprise' and hence no disclosures is required as per paragraph 9 of AS 18

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AUDITORS' REPORT ON RESTATED UNCONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
NHPC Limited
NHPC Office Complex
Sector 33
Faridabad (Haryana)

Dear Sirs,

A) We have examined the attached summary of **Restated Unconsolidated Financial Information** of Narmada Hydroelectric Development Corporation Limited **(**the **'Subsidiary')**, annexed to this report stamped and initialed by us for identification, for the five financial year ended March 31, 2009. These restated unconsolidated financial information has been prepared by the Company and approved by the official authorised by the Board of Directors, in accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ("the Act") ;

b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "SEBI Guidelines") and the related clarifications thereto issued by the Securities and Exchange Board of India ("SEBI") pursuant to section 11 of the Securities and Exchange Board of India Act, 1992, as amended to date; and

c) Request dated 14th May 2008 received from the Company to carry out the work in connection with the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares (referred to as 'the Issue').

B) These restated unconsolidated financial information of the Company have been extracted by the Management from the audited unconsolidated Financial Statements of the Subsidiary by other auditors i.e. for the year ended March 31, 2009 by M/s Multi Associates and for the year ended March 31, 2008, 2007, 2006 and 2005 by M/s O.P. TOTLA & CO.

These financial information have been restated after taking into consideration

a) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods identified by the management and examined by us for the purposes of restatement in the financial statement.
b) Adjustments for the material amounts in the respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
c) Extra-ordinary items, if any, that need to be disclosed separately in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.
d) Adjustments, if any, for qualification requiring adjustments in the accounts in respective financial years to which they relate identified by the management and examined by us for the purposes of restatement in the financial statement.

All such adjustment and regroupings are fully described in notes appearing in Annexure IV to this report.

The preparation and presentation of these financial information are the responsibility of the Company's Management. These financial information are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

C) We have not audited the financial statement of the Subsidiary i.e. Narmada Hydroelectric Development Corporation Limited, whose financial statements reflect total assets of Rs. 7445.81 Crore, total Revenue Rs 861.01 Crore and net cash flow amounting to Rs 201.56 Crore for the year ended March 31, 2009. Financial statements of the subsidiary have been audited by other auditor i.e. Multi Associates and O.P. TOTLA & CO, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of subsidiary , is based solely on the reports of such other auditors.

D) In accordance to the requirements of Paragraph B of Part II of the Schedule II of the Act, the SEBI Guidelines and terms of agreement agreed with you, we further report that we have examined

(i) the attached summary of Profit & Loss account, as restated of the Subsidiary for the five financial years ended March 31, 2009, as set out in Annexure I, the attached summary of assets and liabilities, as restated of the Subsidiary as at the end of the above periods, as set out in Annexure II and the attached Statement of Cash Flows , as restated of the Subsidiary for the above periods, as set out in Annexure III; together referred to as **'RESTATED UNCONSOLIDATED FINANCIAL INFORMATION OF THE SUBSIDIARY'.**

(ii) Other financial Information, as restated relating to the Subsidiary, proposed to be included in the Offer Document, as annexed to this report are:

a) Significant Accounting Policies and Notes on Accounts, Change in Accounting policies and Impact of Adjustment of change in Accounting policies, material adjustment and prior period item - (Annexure –IV)
b) Statement of Dividend Paid - (Annexure – V)
c) Statement of Accounting Ratio Based on Adjusted Profit- (Annexure- VI)
d) Capitalisation Statement of the Company - (Annexure – VII)
e) Statement of Secured Loans - (Annexure – VIII)
f) Statement of Unsecured Loans- (Annexure – IX).
g) Statement of investments- (Annexure – X)
h) Statement of Sundry Debtors - (Annexure – XI)
i) Statement of Loans & advances- - (Annexure – XII)
j) Statement of Other Income - (Annexure –XIII).
k) Tax Shelter Statement - (Annexure – XIV)
l) Statement of Related Party transactions - (Annexure – XV).

E) Based on our examination of these Restated Unconsolidated Financial Information of the Subsidiary, we confirm that:

i. These restated profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion, are appropriate and are subject to significant accounting policies and notes thereon as attached in Annexure – IV;

ii. The Restated Unconsolidated Financial Information of the Subsidiary have been restated after making necessary adjustment and regrouping, with retrospective effect to reflect the Significant Accounting policies being adopted by the Company as at March 31, 2009 as stated in Annexure – IV.

iii. Without qualifying our opinion, we draw your attention to:

a) Note A.2 (3) of Annexure IV regarding adoption of Accounting Standard (AS) 15, "Employee Benefits (Revised)" in preparing the financial statements for the year ended March 31, 2007 onwards

b) Note no. 4 A (n) of Annexure IV regarding methodology of charging depreciation on Fixed Assets.

iv. We are of the opinion that the Restated Unconsolidated Financial Information of the Subsidiary, as attached to this report, read with the significant accounting policies and significant notes to accounts, have been made in accordance with Paragraph B of Part II of the Act and SEBI guidelines and after incorporating

a. All the adjustments suggested in Paragraph 6.10.2.7 of the SEBI guidelines.
b. Adjustments for changes in the accounting polices retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for the reported periods.
c. Adjustment for the material amounts in the respective financial years to which they relate.
d. Necessary adjustments for qualifications in Auditor's report have been carried out in the Restated Unconsolidated Financial Information of the Subsidiary. However, where it is not possible to make adjustment and rectifications, those have been summarized in Annexure – IV of this report.

v. There are no extra ordinary items which needs to be disclosed separately in the Restated Unconsolidated financial information of the Subsidiary.

F) This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For GSA & Associates
Chartered Accountants

(Sunil Aggarwal)
Partner
Membership no. 83899

Place: Faridabad
Dated: June 22, 2009

Annexure - I
STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED OF THE SUBSIDIARY COMPANY

(Rs. in Crore)

	For the Year Ended at				
Particulars	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Income					
Sales ($ Net)	755.92	664.47	540.17	477.25	226.06
Other Income	105.09	73.34	21.09	16.46	6.00
TOTAL INCOME	**861.01**	**737.81**	**561.26**	**493.71**	**232.06**
Expenditure					
Generation, Administration and other Expenses	37.41	27.71	21.55	16.42	13.01
Employees' Remuneration and Benefits	46.45	23.16	13.91	9.67	4.31
Depreciation	138.96	116.47	77.66	72.53	45.71
Interest and Finance charges	270.83	184.25	129.77	120.21	70.99
Provisions	0.01	0.00	0.00	0.40	0.00
TOTAL EXPENDITURE	**493.66**	**351.59**	**242.89**	**219.23**	**134.02**
Profit before tax	**367.35**	**386.22**	**318.37**	**274.48**	**98.04**
Provision for Taxation					
Current year tax	52.05	47.01	61.66	12.21	3.83
Deferred Tax	158.40	152.00	183.81	59.71	10.65
Deferred tax recoverable adjustment	(158.40)	(152.00)	(183.81)	(59.71)	(10.65)
Net Taxation	52.05	47.01	61.66	12.21	3.83
Profit after Tax	**315.30**	**339.21**	**256.71**	**262.27**	**94.21**
Balance brought forward	**640.62**	**449.99**	**293.22**	**74.84**	**(0.65)**
Balance available for appropriation	**955.92**	**789.20**	**549.93**	**337.11**	**93.56**
Appropriations					
Proposed Final Dividend	45.92	98.88	68.15	21.22	6.80
Corporate Dividend Tax	7.81	16.80	11.58	2.97	0.89
Transfer to Self Insurance Reserve	33.41	32.90	20.21	19.70	11.03
BALANCE CARRIED TO BALANCE SHEET	**868.78**	**640.62**	**449.99**	**293.22**	**74.84**

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

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

Annexure – II

STATEMENT OF ASSETS & LIABLITIES , AS RESTATED OF THE SUBSIDIARY COMPANY

(Rs. in Crore)

	As at				
Particulars	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Fixed Assets (A)					
Gross Block	6694.04	6592.25	4084.87	3971.89	3328.41
Less: Depreciation	594.64	418.22	271.45	164.08	68.62
Net Block	**6099.40**	**6,174.03**	**3,813.42**	**3807.81**	**3,259.79**
Capital Work In Progress	5.71	13.53	2009.74	1308.96	1021.54
Construction Stores and Advances	0.12	0.41	5.23	58.11	135.86
Sub total (A)	**6105.23**	**6,187.97**	**5,828.39**	**5,174.88**	**4,417.19**
INVESTMENTS (B)	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS, LOANS AND ADVANCES (C)					
Inventories	4.42	2.58	2.17	1.21	0.12
Sundry Debtors	469.00	555.45	602.14	346.87	93.17
Cash and Bank Balances	706.13	504.57	349.39	350.59	661.52
Other Current Assets	36.54	21.07	26.26	27.99	27.95
Loans and Advances	28.36	13.92	18.53	20.41	25.73
Sub total (C)	**1244.45**	**1,097.59**	**998.49**	**747.07**	**808.49**
Less: LIABILITIES AND PROVISIONS (D)					
Secured loans	2511.06	2899.17	2939.84	2164.74	1500.00
Unsecured loans	185.87	0.00	0.00	150.00	624.25
Advance against Depreciation	95.05	15.53	0.00	0.00	0.00
Current Liabilities & Provisions	409.25	504.14	312.48	226.52	254.20
Sub total (D)	**3201.23**	**3,418.84**	**3,252.32**	**2,541.26**	**2,378.45**
Capital Grant / Proportionate Contribution by Govt of Madhya Pradesh towards Fixed Assets (E)	1198.04	1177.88	1109.26	1092.66	827.28
NET ASSETS (A+B+C-D-E)	**2950.41**	**2,688.84**	**2,465.30**	**2,288.03**	**2,019.94**
Represented by:					
NET WORTH					
Share Capital (F)	1962.58	1962.58	1962.58	1962.58	1632.35
Share Capital Deposit (G)	0.00	0.00	0.00	0.00	300.23
Reserve and Surplus (H)	987.83	726.26	502.72	325.45	87.36
Miscellaneous Expenditure (To the extent not written off or adjusted) (I)	0.00	0.00	0.00	0.00	0.00
NET WORTH(F+G+H-I)	**2,950.41**	**2,688.84**	**2,465.30**	**2,288.03**	**2019.94**

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

Annexure-III

CASH FLOW STATEMENT OF RESTATED FINANCIAL STATEMENTS – SUBSIDIARY

(Rupees in Crore)

		For the Year Ended				
Particulars		**31st March'2009**	**31st March'2008**	**31st March'2007**	**31st March'2006**	**31st March'2005**
A)	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit (adjusted) before tax and extraordinary items	367.35	386.22	318.37	274.48	98.04
	Add:					
	Depreciation	138.96	116.47	77.65	72.53	45.71
	Other Provisions / Adjustments	-	39.86	-	-	-
	Advance against Depreciation	79.52	15.53	-	-	-
	Interest & Financial Charges	270.83	184.25	129.77	120.20	70.93
	Operating profit before working capital adjustments	**856.66**	**742.33**	**525.79**	**467.21**	**214.68**
	Adjustments					
	(Increase)/Decrease in Inventories	(1.85)	(0.41)	(0.96)	(1.09)	-
	(Increase)/Decrease in Receivables	108.66	51.04	(253.62)	(248.90)	(99.43)
	Increase/(Decrease) in Trade & Other Payables	(40.29)	142.64	(23.82)	(44.06)	61.81
	Sub Total	**66.52**	**193.27**	**(278.40)**	**(294.05)**	**(37.62)**
	Cash generated from operations	**923.18**	**935.60**	**247.39**	**173.16**	**177.06**
	Less: Taxes paid	44.41	37.74	58.36	11.88	15.21
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**878.77**	**897.86**	**189.03**	**161.28**	**161.85**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Fixed Assets / Capital work in progress etc.	(93.75)	(470.84)	(691.73)	(820.67)	(1194.31)
	Sale proceeds on disposal of fixed assets	-	-	0.01	-	-
	NET CASH FLOW/(USED) FROM INVESTING ACTIVITIES (B)	**(93.75)**	**(470.84)**	**(691.72)**	**(820.67)**	**(1194.31)**
C)	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from issue of Share Capital/Share capital deposit	-	-	-	30.00	244.97
	Proceeds from Borrowings	2461.02	100.16	775.10	814.74	1344.25
	Repayments of Borrowings	(2669.35)	(140.83)	(150.00)	(624.25)	(650.00)
	Funds/ Grant received from GOMP	11.38	71.20	98.24	287.28	231.44
	Dividend Paid including dividend tax	(115.68)	(79.73)	(24.20)	(7.69)	(2.71)
	Interest and Financial Charges Paid	(270.83)	(222.64)	(197.65)	(151.62)	(132.80)

	NET CASH FLOW/(USED) FROM FINANCING ACTIVITIES (C)	**(583.46)**	**(271.84)**	**501.49**	**348.46**	**1035.15**
	Net increase / decrease in Cash and Cash equivalents (A+B+C)	**201.56**	**155.18**	**(1.20)**	**(310.93)**	**2.69**
	Cash and cash equivalents (Opening balance)	504.57	349.39	350.59	661.52	658.83
	Cash and cash equivalents (Closing balance)	706.13	504.57	349.39	350.59	661.52

Annexure IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.

2. FIXED ASSETS

2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalization is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.

2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets except those assets, which are created for Rehabilitation / Resettlement.

2.3 Capital Expenditure on assets where neither the land nor the asset is owned by the Company is reflected as a distinct item in capital work in progress till the period of completion and thereafter in the fixed assets.

2.4 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with the Corporation

2.5 Construction equipments declared surplus are shown at lower of book value and net realizable value.

3. MACHINERY SPARES

3.1(a) Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized separately, if cost of such spares is known and depreciated fully over the residual useful life of the related plant and machinery. If cost of such spares is not known particularly when procured along with mother plant, these are capitalized & depreciated along with mother plant.

(b) WDV of spares is charged off to Profit & Loss Account in the year in which such spares are replaced in place of retrieved spares, provided the spares so retrieved do not have any useful life. Similarly value of such spares, procured & replaced in place of retrieved spares, is charged off to Profit & Loss Account in that year itself, provided spares so retrieved do not have any useful life.

(c) When the useful life of the related fixed asset expires and asset is retired from active use, such spares are valued at net book value or net realizable value which ever is lower. However, in case retired assets are not replaced, WDV of related spares less disposable value is written off.

3.2 Other spares are treated as “stores & spares” forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

4.1 Projects under commissioning and other capital work-in-progress are carried at cost. Administration & General overhead expenses attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land and infrastructural facilities.

4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to 'Expenditure During Construction (EDC)'.

4.3 Expenditure in relation to Survey and Investigation of the projects is carried as capital work in progress. Such expenditure is either capitalized as cost of Project on completion of the construction of the project or the same is expensed in the year in which it is decided to abandon such project.

5. DEPRECIATION & AMORTISATION

5.1 Depreciation is charged on straight-line method to the extent of 90% of the Cost of Asset following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. However, Construction Plant & Machinery and Computers & Peripherals are being depreciated @11.25% and @30% respectively, as CERC regulations do not provide depreciation rates for these assets.

5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.

5.3 Assets valuing Rs 5000/- or less but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.

5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing upto Rs750/- are not capitalized and charged off to revenue.

5.5 Expenditure on software is recognized as `Intangible Assets' to be amortized over three years.

5.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

5.7 Capital Expenditure referred to in Policy 2.3 is amortised over a period of 5 years from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

5.8 Leasehold Land is amortised over the period of lease. In case lease period is yet to be finalised, lease period is taken as 30 years except in case of J&K where lease period is taken as 90 years.

5.9 Fixed Assets created on leasehold land are depreciated to the extent of 90% of original cost over the lease period of land as per Policy No. 5.8 or at the applicable depreciation rate of such assets, which ever is higher.

6. INVESTMENTS

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

7. INVENTORIES

7.1 Stores & Spares are valued at cost, determined on weighted average basis, or net realizable value whichever is lower.

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

7.3 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.

7.4 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year-end are evaluated at engineering estimates and taken as stores..

8. FOREIGN EXCHANGE FLUCTUATION

8.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.

8.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to EDC in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01/04/2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.

9. EMPLOYEE BENEFITS

9.1 Provision for Post employment benefit as defined in AS-15 on Employee Benefits is made based on actuarial valuation at the year-end.

9.2 Provision for Leave Travel Concession, Leave Encashment and Baggage Allowance admissible on superannuation is made based on actuarial valuation at the year-end.

9.3 Expenses on Ex-gratia payments & Notice Pay under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

10. REVENUE

10.1(a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.

(b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.

(c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.

(d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.

10.2 In respect of Project Management/Consultancy Contracts/Cost plus Contract, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.

10.3 Interest on investments is accounted for on accrual basis.

10.4 Interest / Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

11. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is transferred to `Self Insurance Reserve' on year to year basis through Profit & Loss Appropriation Account, to be utilized for losses of Assets for specified contingencies.

12. MISCELLANEOUS

12.1. Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.

12.2. Power supplied from Power Stations to Projects under construction is charged as per normal tariff.

12.3 Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.

12.4 Insurance claims are accounted for based on certainty of realization.

13. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

14. TAXES ON INCOME

14.1 Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a pass-through to beneficiaries to the extent relatable to Core Activity, i.e., Generation of Electricity.

14.2 Deferred tax recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized for unabsorbed depreciation or carry forward of losses under tax laws and carried forward to the extent there is a reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

15. REHABILITATION & RESETTLEMENT EXPENSES

Payment made provisionally towards compensation and other expenses relatable to land, which are going to be sub-merged, are treated as Rehabilitation & Resettlement expenses to be capitalized as Dam cost.

16. GRANTS-IN-AID

Amount of contribution received from the Govt. of Madhya Pradesh towards "Irrigation and R&R Component" and Govt. of Gujarat towards "Sardar Sarovar Component", being not relatable to cost of individual assets are treated initially as Grant in Aid - Reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of such contribution.

A.2 MAJOR CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2005 TO 31ST MARCH 2009.

1. During the year ended 31st March 2006,

   Machinery spares procured along with plant and machinery or subsequently and whose use is expected to be irregular, are capitalized and depreciated over the residual life of machinery. Written down value of such spares is charged to revenue in the year in which such spares are consumed.

2. During the year ended 31st March 2007,

Modification of accounting policy on Employee Benefits to take care of Accounting Standard 15 (revised) 2005 (AS-15(R)),

Prior to introduction of AS-15(R) w.e.f. 01.04.2007, Company was providing for all short term employee benefits & post employment benefits as described in AS-15(R). Provision on account of Long term employee benefits (Leave Traveling Concession & Baggage Allowance on retirement) were however made in 2006-07 based on actuarial valuation basis carried out at 31.03.2007, though the (AS-15(R)) is applicable from financial year 2007-08. However, for the purpose of the restated statement, provisions under AS-15 (revised) as far as they relates to Long-term Employee Benefits, has not been applied for the year ended March 31,2006 and March 31,2005 as the same was not applicable in those years and the impact of which is not readily ascertainable.

3. During the year ended 31st March 2008

   Modification of accounting policy on Foreign Currency Transaction (Policy No. 8) to take care of notification of Accounting Standards under Section 211 of the Companies Act, 1956.

4. During the year ended 31st March 2009

   i Modification in Significant accounting policy on machinery spares (Policy No. 3.1), whereby retrieved capital spares capable of being re used after repair is being accounted.

   ii Modification in Significant accounting policy (Policy No.4.1) as regard to capitalization of administrative & other general overheads expenditures and deletion of earlier Significant accounting policy on allocation of Corporate Office Management Expenses.

   iii Introduction of Significant accounting policy for amortization of land and assets created on such land (Policy No.5.8 & 5.9).

   iv Modification of Significant accounting policy on self insurance (Policy No. 11) to the extent that Self Insurance reserve is now created through Profit & Loss Appropriation Account instead of charging to Profit & Loss account

Notes on Accounts

1. Impact of changes due to restatement of expenses in line with Accounting Policies of holding company, Material Adjustments, Extra-ordinary and Prior Period items

(Rs. in Crore)

S. No.	Particulars	Financial Year ended 31st March 2009	Financial Year ended 31st March 2008	Financial Year ended 31st March 2007	Financial Year ended 31st March 2006	Financial Year ended 31st March 2005
	Profit after tax as per audited statement of accounts	**306.16**	**329.61**	**454.31**	**106.10**	**33.96**
	Adjustment on account of					
1	**Changes due to restatement of accounts in line with accounting policies of holding company**					
-	Charge off of preliminary Expenses (note no. 1.1 a)	0.00	0.00	1.44	0.21	0.21
-	Rate of depreciation on Capitalisation of Rehabilitation and Resettlement expenses (note no. 1.1 b)	(12.97)	(13.22)	(11.36)	(10.52)	(7.33)
-	Modification of accounting policy No. 4.1 (note no. 1.1 c)	0.00	0.58	(0.08)	(1.16)	0.15

-	Impact of creation of self insurance reserve (note no. 1.1 d)	0	32.90	20.21	19.70	11.03
	Total	**(12.97)**	**20.26**	**10.21**	**8.23**	**4.06**
2	**Material Adjustments**					
-	Sale of energy (note no. 1.1 e)	0.00	0.00	(205.58)	157.56	50.35
-						
-	Interest from beneficiary of earlier year (note no. 1.1 f)	0.00	(14.89)	2.95	9.28	3.30
-	Project expenses written off (note no. 1.1 g)	5.22	(1.01)	(3.59)	(0.62)	0.00
	Total	**5.22**	**(15.90)**	**(206.22)**	**166.22**	**53.65**
3	**Prior Period Adjustment** (note no. 1.1 h)	16.90	5.26	(1.69)	(18.19)	2.52
4	**Income tax relating to earlier years** (note no 1.1 h)	(0.01)	(0.02)	0.10	(0.09)	0.02
5	**Total (Impact of Adjustments)**	**9.14**	**9.60**	**(197.60)**	**156.17**	**60.25**
6	**Adjusted Profit After Tax**	**315.30**	**339.21**	**256.71**	**262.27**	**94.21**

1.1 Notes on Adjustments carried out

a. Preliminary and miscellaneous expenses have been charged to revenue in the year of expense in line with the accounting policy of the holding company.

b. Payments relating to Rehabilitation and Resettlement have been treated as land un-classified instead of Dam cost. Depreciation there on has been recalculated at rates as those applied by the holding company.

c. Expenditure towards administrative & general overheads not specifically attributable to construction of fixed assets charged to revenue

d. Self Insurance Reserve is now being created through Profit & Loss appropriation account instead of charging to Profit & Loss account as was done till 2007-08.

e. Earlier years sales readjusted in respective years, accounting of difference between final tariff and provisional tariff to the respective years and adjustment of amount recoverable against restatement of tax for earlier years.

f. Interest from beneficiaries pertaining to earlier years received in 2007-08 taken to respective years.

g. Project expenses written off in 2008-09 are taken in respective years in which such expenditure incurred.

h. Income tax relating to earlier years and prior period items in the profit and loss account has been re-allocated to respective years.

   The accounts for the years 2004-05 to 2008-09 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above.

1.2 Adjustment not carried out

The financial statement of the Subsidiary Company for the year ended 31st March 2006 states that effect of the Change in the Accounting Policy for treatment of Machinery spares as Insurance spares has not been taken in view of the cost of such spares is not known and therefore the impact on profit is not ascertainable.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference, if any, in the Restated Summary Statements.

2. Contingent Liabilities

(Rs. in Crore)

Particulars	**Year ended 31.03.2009**	**Year ended 31.03.2008**	**Year ended 31.03.2007**	**Year ended 31.03.2006**	**Year ended 31.03.2005**
Claims against the Company not acknowledged as debts in respect of :					
Capital Works	188.68	134.59	109.64	96.64	105.17
Land Compensation Cases*	1744.48	1808.42	1731.31	1616.28	99.65
Other	2.27	14.42	73.56	308.01	420.82
Total	**1935.43**	**1957.43**	**1914.51**	**2020.93**	**625.64**

** Contingent Liability for land compensation cases pending in various courts has been taken to respective years to which such liability pertains.*

3. Estimated amount of contracts remaining to be executed on capital account and not provided for

(Rs. in Crore)

Year ended 31.03.2009	**Year ended 31.03.2008**	**Year ended 31.03.2007**	**Year ended 31.03.2006**	**Year ended 31.03.2005**
135.95	131.71	255.95	647.19	980.01

4. Other significant notes on accounts as on 31st March 2009

a. Balances shown under Material issued to contractors, claims recoverable, advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/ confirmation and respective consequential adjustments.

b. In the opinion of the management, the value of current assets, loans and advances on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

c. The depreciation on Fixed Assets is charged as per Significant Accounting Policy No.5 of the Corporation. Ministry of Power (MOP) has already notified tariff policy which provides that rates of depreciation as notified by the Central Electricity Regulatory Commission (CERC) would be applicable for the purpose of tariff as well as accounting. The revised rates of depreciation as notified by CERC have been made applicable w.e.f. 01.04.2009. Accordingly, the rates notified under present tariff norms have been considered for charging depreciation for the year. The depreciation for the year as per rates prescribed under schedule XIV of the Companies Act, 1956 works out to Rs.131.35 Crore more than that worked out as per CERC rates (previous year Rs.112.98 Crore). However, the Management considers the depreciation provided in the books as appropriate and adequate keeping in view matching concept of Accounting.

d. Electricity generation is the principal business activity of the Company. Hence reporting under Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India is not applicable. Similarly, geographical segments are inapplicable as the Company has power stations located within the country.

e. The sale of power from OSP to the sole beneficiary MPSEB has been billed on the basis of CERC provisional tariff order dated 30.10.2007.

f. Quantitative information:-

Particulars	**2008-09**	**2007-08**
Licensed Capacity (MW)	Not Applicable	Not Applicable
Installed Capacity (MW)	1520	1520
Actual Generation (MU)	2368.45	3431.87
Actual Sales (MU)	2345.01	3401.67

Annexure-V

STATEMENT OF DIVIDEND PAID BY THE SUBSIDIARY

(Rs. in Crore)

Particulars	For the Year Ended				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Equity Share Capital					
Face Value (Rs)	1000	1000	1000	1000	1000
Nos.	19,625,800	19,625,800	19,625,800	19,625,800	16,323,529
Rate of Dividend (%)					
Final	2.34	5.04	3.47	1.08	0.42
Amount of Dividend					
Final	45.92 *	98.88	68.15	21.22	6.80
Corporate Dividend Tax					
Final	7.81 *	16.80	11.58	2.97	0.89

* Proposed dividend & dividend distribution tax thereon.

Annexure – VI
STATEMENT OF ACCOUNTING RATIO BASED ON RESTATED PROFIT - SUBSIDIARY

S.No.	Key Ratio	Year Ended as at				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
A	**Earning Per Share (Rs.)***					
	Basic	160.66	172.84	130.80	135.63	57.71
	Diluted	160.66	172.84	130.80	134.10	54.48
B	Return on Net Worth (%) #	10.69	12.62	10.41	11.46	4.66
C	Net Assets Value per share (Rs.)#	1503.33	1370.05	1256.15	1165.83	1045.21
D	**Weighted Average number of Equity shares used as denominator**					
	Basic	19625800	19625800	19625800	19337615	16323529
	Diluted	19625800	19625800	19625800	19557581	17291378
E	**Total number of shares outstanding at the end of the year @**	19625800	19625800	19625800	19625800	19325799

(i) *Face Value of Rs. 1000/-

(ii) #Share Capital Deposit has been considered in Net Worth.

(iii) @ Outstanding number of shares has been adjusted to the extent of equivalent shares of Rs.1000/- each for Share Capital Deposit towards equity, for which shares has been issued subsequently.

(iv) The ratios have been computed as below

$$\text{Earning Per Share (Rs.)} = \frac{\text{Net Profit after tax}}{\text{Weighted average number of equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth \%} = \frac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve / Capital Grant recd against Fixed Assets}}$$

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

Annexure – VII
CAPITALISATION STATEMENT OF THE SUBSIDIARY, AS RESTATED

(Rs. in Crore)

Sl. No.	Particulars	As at 31st March, 2009
A.	**Debt:**	
	a) Short-term Debt	1,144.43
	b) Long-term Debt	1,552.50
	Total Debt:	**2,696.93**
B.	**Equity**	
	a) Equity Share Capital	1,962.58
	b) Reserve & Surplus	987.83
	Total Equity (Net Worth)	**2,950.41**
C.	**Long-term Debt/Equity Ratio**	**0.53 : 1**

Annexure- VIII

STATEMENT OF SECURED LOAN - SUBSIDIARY

(Rs. in Crore)

Particulars	**Year Ended as at**				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
TERM LOANS Term Loan from Banks /FIs-Indian Currency **(refer Note 1 below)**	2,511.06	2,899.17	2,939.84	2,164.74	1,500.00
Total (Secured Loan)	**2,511.06**	**2,899.17**	**2,939.84**	**2,164.74**	**1,500.00**

Note 1

The terms and conditions of the term loans from Banks and FIs, outstanding as at March 31, 2009 including interest rates, principal terms of Security and repayment terms are as under:

Name of the Lender	**March 31, 2009**	**Security Mortgaged**	**Interest Rate**	**Repayment terms**
Oriental Bank of Commerce	504.46	*2	10.500%	Due for repayment within one year
J & K Bank	10.12	*3	8.650%	Due for repayment within one year
Dena Bank	83.33	*3	9.500%	Due for repayment within one year
United Bank of India	83.33	*2	9.500%	Due for repayment within one year
Punjab & Sindh Bank	41.67	*2	7.674%	Due for repayment within one year
SIDBI	83.33	*2	7.674%	Repayable in 12 annual equal installments commencing from 31.12.2007
Union Bank of India	83.33	*2	7.674%	Repayable in 12 annual equal installments commencing from 31.12.2007
Punjab National Bank	229.17	*2	7.674%	Repayable in 12 annual equal installments commencing from 31.12.2007
Indian Overseas Bank	41.67	*2	7.674%	Repayable in 12 annual equal installments commencing from 31.12.2007
Bank of Baroda	12.50	*2	7.674%	Repayable in 12 annual equal installments commencing from 31.12.2007
Sydicate Bank	7.65	*3	7.000%	Due for repayment within one year
Power Finance Corporation Ltd.	1,282.50	*1	11.890%	Repayable in 20 half yearly equal installments commencing from 15.01.2009
Central Bank of India	48.00	*3	10.100%	Due for repayment within one year
Total	**2,511.06**			

* 1 Secured by first pari passu charge in the favour of lenders over all the assets, both present and future, of Omkareshwar Power Station.

*2 Secured by first pari passu charge in the favour of lenders over all the assets, both present and future, of Indra Sagar power Station.

*3 Secured by first pari passu charge in the favour of lenders over FDRs.

Annexure-IX

STATEMENT OF UNSECURED LOANS - SUBSIDIARY

(Rs. in Crore)

Particulars	**As at**				
	March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
Unsecured Loans					
From Public Sector Banks	185.87	-	-	150.00	624.25
Total (Unsecured Loan)	**185.87**	**-**	**-**	**150.00**	**624.25**

Name of the Lender	**March 31, 2009**	**Repayment terms**
Allahabad Bank	185.87	Due for repayment within one year
Total	**185.87**	

Annexure-X

STATEMENT OF INVESTMENT - SUBSIDIARY

(Rs. in Crore)

Particulars	Year ended as at				
	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
Investment	NIL	NIL	NIL	NIL	NIL

Annexure - XI

STATEMENT OF SUNDRY DEBTORS - SUBSIDIARY

(Rs. in Crore)

S. No.	Particular	Year ended as at				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
	Debts Unsecured					
i)	Debts outstanding for a period exceeding six months					
	- Considered good	385.42	460.12	13.75	231.45	47.07
ii)	Other debts					
	- Considered good	83.58	95.33	588.39	115.42	46.10
	TOTAL	**469.00**	**555.45**	**602.14**	**346.87**	**93.17**

Annexure-XII

STATEMENT OF LOANS AND ADVANCES - SUBSIDIARY

(Rs. in Crore)

	Particulars	**Year ended as at**				
		March 31, 2009	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**
A	Loans					
	Secured considered good	6.80	5.37	3.66	4.47	2.91
	Unsecured considered good	1.55	0.83	1.55	0.76	1.71
B	Advance Recoverable in Cash or kind or Value to be received					
	Secured considered good	0	0.18	0.00	0.00	0.00
	Unsecured considered good	8.13	0.26	0.63	0.41	5.97
C	Deposits					
	Advance income tax (Net of Provision)	11.88	7.28	12.69	14.77	15.14
	TOTAL (A+B-C)	**28.36**	**13.92**	**18.53**	**20.41**	**25.73**

Annexure-XIII
STATEMENT OF OTHER INCOME - SUBSIDIARY

(Rs. in Crore)

Particulars	**For the year ended**				
	March 31,2009	**March 31,2008**	**March 31,2007**	**March 31,2006**	**March 31,2005**
Other Income	105.09	73.34	21.09	16.46	6.00
Net Profit before tax, as restated	367.35	386.22	318.37	274.48	98.04
Percentage	28.61	18.99	6.62	6.00	6.12

STATEMENT OF OTHER INCOME
(Subsidiary)

Particulars	**2008-09**	**2007-08**	**2006-07**	**2005-06**	**2004-05**	**Nature of Income**
Interest on loans and advances/Deposit	57.00	27.14	17.46	6.57	2.07	Recurring
Other Miscellaneous Income	8.05	1.99	0.67	0.62	0.62	Recurring
Interest From Beneficiary & Surcharge	40.04	44.21	2.96	9.27	3.31	Recurring
TOTAL	**105.09**	**73.34**	**21.09**	**16.46**	**6.00**	

ANNEXURE XIV
STATEMENT OF TAX SHELTER - THE SUBSIDIARY

(Rs. in Crores)

	PARTICULARS	For the year ended at Mar 31, 2009	Mar 31, 2008	Mar 31, 2007	Mar 31, 2006	Mar 31, 2005
	Rate of Tax	**33.99%**	**33.99%**	**33.66%**	**33.66%**	**36.59%**
A	**PROFIT BEFORE TAX AS RESTATED (A)**	367.35	386.22	318.37	274.48	98.04
	NOTIONAL TAX ON BOOK PROFIT	124.86	131.28	107.16	92.39	35.88
B	**ADJUSTMENTS PERMANENT DIFFERENCES**					
	Others	0.00	(0.41)	1.92	7.35	0.00
	TOTAL PERMANENT DIFFERENCE (B)	0.00	(0.41)	1.92	7.35	0.00
C	**TIMING DIFFERENCE**					
	Diff. Between book depreciation and Tax depreciation	(369.32)	(455.88)	(235.77)	(271.94)	(369.66)
	Tax, duty and other sum u/s43B	2.54	1.04	0.43	0.06	0.12
	Others	79.52	15.53	0.00	0.00	(0.01)
	Adjustment for brought forward losses/ unabsorbed depreciation (utilized)/created	(80.09)	53.50	(84.95)	(9.95)	271.51
	TOTAL TIMING DIFFERENCES (C)	(367.35)	(385.81)	(320.29)	(281.83)	(98.04)
D	**NET DIFFERENCES (B) + (C)**	(367.35)	(386.22)	(318.37)	(274.48)	(98.04)
	TAX SAVINGS THEREON	124.86	131.28	107.16	92.39	35.88
E	**TAXABLE INCOME AS PER IT RETURN (A)+(D)**	0.00	0.00	0.00	0.00	0.00
F	**TAX AS PER INCOME TAX RETURN U/S 115 JB (MAT)**					
	Tax rate u/s 115JB	11.33%	11.33%	11.22%	8.42%	7.84%
	Tax u/s115JB	51.27	46.32	60.11	11.56	3.85
	TOTAL TAX AS PER RETURN	51.27	46.32	60.11	11.56	3.85
G	**CARRIED FORWARD LOSSES/ UNABSORBED DEPRECIATION AT THE YEAR END**	292.06	372.15	318.65	403.60	413.55

Note 1:- In line with Power tariff agreements with State Electricity Boards, tax liability on generation income was pass through to beneficiaries till FY 2008-09. However w.e.f. 01.04.2009 the income tax recovery is to be effected by grossing up of return on equity component of tariff with applicable tax rate.

Note 2:- The figures for the year ended at March 31,2009 are based on the provisional computation of total income .

Annexure - XV

RELATED PARTY TRANSACTIONS

Statement of Related Party Transactions

a) Key Management Personnel

In compliance of Accounting Standard –18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:
As at 31st March 2009

Whole time Directors

Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director. (On & From 28.02.07 to 31.05.08)
Shri K. M. Singh	Whole time Director & designated Chief Executive Director. (From 01.06.08 & onwards)

As on 31st March 2008.

Whole time Directors

Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director.

As on 31st March 2007.

Directors

Shri T. Mandal	Whole time Director & designated Chief Executive Director (from 19.09.2006 to 28.02.2007).
Shri D. P. Bhargava	Whole time Director & designated Chief Executive Director (w. e. f. 28.02.2007).

As on 31st March 2006

Directors:

Shri. S. K. Garg	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Uday Kumar Verma	Director
Shri S K Dodeja	Chief Executive Director
Shri R K Taneja	Director
Shri I C Jain	Director
Shri Rajesh Dongre	Director

As on 31st March 2005

Directors:

Shri A K Gangopadhyay	CMD, NHPC & NHDC
Shri A K Kutty, IAS	Director
Shri Ranvir Singh	Director
Shri S K Dodeja	Chief Executive Director
Shri T N Gopalakrishna	Director
Shri J K Tiwari	Director
Shri Rajesh Dongre	Director

b) Remuneration paid/payable to Key Management Personnel

(Rupees in Crore)

		For the Year ended 31/03/09	**For the Year ended 31/03/08**	**For the Year ended 31/03/07**	**For the Year ended 31/03/06**	**For the Year ended 31/03/05**
(i)	Salaries & Allowances	0.15	0.09	0.03	0.06	0.07
(ii)	Contribution to Provident Fund	0.01	0.01	0.00	0.01	0.01
(iii)	Rent for residential accommodation	0.02	0.01	0.01	0.00	0.00
(iii)	Other benefits	0.02	0.01	0.01	0.00	0.00

Other Related Party is 'State-controlled Enterprise' and hence no disclosure is required as per Paragraph 9 of AS 18.

FINANCIAL INDEBTEDNESS

A. Foreign Currency Borrowings of our Company:

Set forth below is a brief summary of our significant outstanding foreign currency borrowings of Rs. 2,971.01 crore as of June 30, 2009, together with a brief description of certain significant terms, if any, of such financing arrangements. All our foreign currency borrowings have been sanctioned to us in foreign currencies, however the same have been accounted for in Indian Rupees. All our foreign currency loans are guaranteed by the President of India.

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (%) p.a.	Repayment Terms
1.	Japan Bank for International Cooperation*	Term loan of Japanese Yen 1,389 crore vide a loan agreement dated March 31, 2004 for implementation of the Dhauliganga hydroelectric project	605.31	1.30	Repayment in 41 half yearly instalments from March 20, 2014
2.	Through a consortium of: Deutsche Bank AG, Tokyo[1]; HSBC Limited, Tokyo; ING Bank NV, Tokyo; Societe Generale, Tokyo; Standard Chartered Bank, Tokyo; and State Bank of India, Tokyo.	Term loan of Japanese Yen 1,824 crore vide a loan agreement dated October 18, 2002 for the implementation of the Teesta V project	876.62	0.57 over JPY six month LIBOR	Repayment in 20 half yearly instalments from April 18, 2009
3.	Export Development Corporation, Canada[2]	Term loan up to CAD 17.50 crore vide a loan agreement dated November 4, 1999 for the construction of the Chamera II power station	371.55	6.01	Repayment in 24 half yearly instalments from September 15, 2004
4.	Japan Bank for International Cooperation*	Term loan of Japanese Yen 1,631.6 crore vide a loan agreement dated December 12, 1997 for the construction of the Dhauliganga II hydroelectric project	744.67	2.30	Repayment in 41 half yearly instalments from December 20, 2007
5.	Japan Bank for International Cooperation*	Term loan of Japanese Yen 566.5 crore vide a loan agreement dated January 25, 1996 for implementation of the Dhauliganga hydroelectric project	208.59	2.30	Repayment in 41 half yearly instalments from January 20, 2006
6.	Nordic Investment Bank	Term loan of SEK 42 crore vide an agreement dated October 31, 1989 for the	48.69	0.15 over the US$ six month	Repayment in 23 half yearly instalments

S. No.	Name of Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (%) p.a.	Repayment Terms
		implementation of the Uri hydroelectric project		LIBOR	from January 24, 2000
7.	Through a consortium of : Credit Commercial DE France; and Nataxis Banques Populaires, Paris.	Term loan of Euro 21.43 crore vide a loan agreement dated September 8, 1989 for the construction of the Dulhasti project	115.58	8.96	Repayment in 17 half yearly instalments from June 30, 2002

**The loan was taken from Overseas Economic Cooperation Fund, Japan. The name of the bank was subsequently changed to Japan Bank for International Cooperation. Further, as of October 1, 2008, the overseas international cooperation operations of the Japan Bank for International Cooperation was realigned and succeeded by the Japan International Cooperation Agency.*

*** The outstanding amounts have been calculated in Indian Rupees based on the exchange rates of the respective foreign currencies as on May 31, 2009. For details on exchange rates, see "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation**" on page x.*

[1] If the GoI ceases to maintain its shareholdings in or ownership or control (direct or indirect) in the Company without the prior written consent of the lender the same would be considered as an event of default.

[2] No advance shall be made by the Export Development Corporation in respect of goods supplied to our Company from a country other than Canada or in respect of any non-Canadian services without the Export Development Corporation's prior consent.

B. Bonds Issued by our Company:

Set forth below is a brief summary of our outstanding bonds as on June 30, 2009 together with a brief description of certain significant terms of such financing arrangements.

The Company has also issued secured non-convertible taxable bonds of a face value of Rs. 10 crore each, aggregating Rs. 570 crore by an information memorandum dated March 27, 2003, which were subsequently listed on the NSE. The current amount outstanding as of June 30, 2009 is Rs. 513.00 crore. The terms of the O Series are as follows:

S. No.	Name of the Trustee	Nature of Bonds	Amount Outstanding (in Rs. crore)	Interest/Coupon Rate (p.a.)	Security	Redemption
1.	Axis Bank Limited[1]	Secured redeemable non-convertible taxable bonds of the face value of Rs. 10,00,00,000	513.00	7.70	A first *pari passu* mortgage over property situated at unit no 204-K, Keshava, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 A first *pari passu* mortgage and charge over all the immovable properties and movable plant and machinery of the Uri hydroelectric project	The secured non-convertible taxable Bonds are issued in 10 separately transferable redeemable principal parts each having a face value 1/10th of original face value of Rs. 10,00,00,000 with yearly redemption date starting from March 31, 2009 until March 31, 2018

[1]Formerly,UTI Bank Limited. The beneficial owners of the bonds/trustees shall have a right to appoint and remove nominee(s) on our Board, at any time during the currency of the secured non-onvertible taxable bonds.

C. Secured Medium Term Loans availed of by our Company:

Set forth below is a brief summary of our Company's significant outstanding secured medium term borrowings of Rs. 1,313.19 crore as of June 30, 2009 together with a brief description of certain significant terms, if any, of such financing arrangements.

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (%) (p.a.)	Repayment Terms	Security
1.	Indian Bank**	Term loan of Rs. 100 crore vide a term loan agreement dated October 4, 2006	100.00	7.70	Repayable in three yearly instalments from February 27, 2012	*Pari passu* charge on the fixed assets (except book debts and stores) Chamera-I power station
2.	State Bank of Patiala	Term loan of Rs. 40 crore vide a term loan agreement dated January 9, 2002 and amended vide an agreement dated July 3, 2006	32.00	8.322	Repayable in 20 half yearly instalments of Rs. 2 crore each from July 9, 2007	*Pari passu* charge on the fixed assets (except book debts and stores) of the Chamera-I power station
3.	Oriental Bank of Commerce	Term loan of Rs. 100 crore vide a term loan agreement dated August 25, 2005	100.00	7.207	Repayable in 10 yearly instalments of Rs.10 crore each from December 27, 2011	*Pari passu* charge on the fixed assets (except book debts and stores) of the Uri power station
4.	Syndicate Bank	Term loan of Rs. 183 crore vide a composite hypothecation agreement dated February 23, 2005	146.40	7.207	Repayable in 10 yearly instalments of Rs. 18.30 crore from February 23, 2008	Charge on fixed assets (except book debts and stores) of the Uri power station
5.	Oriental Bank of Commerce	Term loan of Rs. 200 crore vide a term loan agreement dated February 23, 2005	160.00	7.207	Repayable in 10 yearly instalments of Rs. 20 crore each from March 31, 2008	*Pari passu* charge on the fixed assets (except book debts and stores) of the Uri power station
6.	Canara Bank	Term loan of Rs. 200 crore vide a term loan agreement dated November 10, 2004	160.00	6.86	Repayable in ten yearly instalments of Rs. 20 crore from November 9, 2007	*Pari passu* charge on the fixed assets (except book debts and stores) on the Uri power station

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (%) (p.a.)	Repayment Terms	Security
7.	Canara Bank	Term loan of Rs. 85 crore vide a term loan agreement dated March 25, 2004	68.00	6.75	Repayable in five yearly instalments of Rs.17 crore each from January 30, 2009	*Pari passu* charge on the fixed assets (except book debts and stores) of the Chamera-I power station
8.	Canara Bank	Term loan of Rs. 50 crore vide a term loan agreement dated June 27, 2002	30.00	10.25	Repayable in four yearly instalments of Rs.10 crore from June 28, 2009	Exclusive charge on all the fixed and moveable assets (except book debts and stores) of the Loktak power station
9.	Indian Overseas Bank[2]	Term loan of Rs. 50 crore vide a term loan agreement dated December 5, 2001	37.50	9.50	Repayable in four yearly instalments of Rs. 12.50 crore each from December 6, 2008	*Pari passu* charge on the fixed assets (except book debts and stores) of Chamera-I power station
10.	Housing Development Finance Corporation Limited[1]	Term loan of Rs. 100 crore vide a term loan agreement dated February 21, 2001	64.29	10.00	Repayable in 14 half yearly instalments of Rs. 7.14 crore each from February 13, 2007	*Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
11.	Punjab & Sind Bank[1]	Term loan of Rs. 100 crore vide a term loan agreement dated July 25, 2000	72.50	10.50	Repayable in 40 quarterly instalments of Rs.2.50 crore each from October 24, 2006	*Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
12.	State Bank of India[1]	Term loan of Rs. 150 crore vide a term loan agreement dated July 25, 2000	85.72	10.00	Repayable in 14 half yearly instalments of Rs. 10.71 crore each from September 18, 2006	First *Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
13.	State Bank of Patiala[1]	Term loan of Rs. 50 crore vide a term loan agreement dated July 25, 2000	32.14	10.75	Repayable in 14 half yearly instalments of Rs. 3.57 crore each with effect from January 30, 2007	First *Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (%) (p.a.)	Repayment Terms	Security
14.	Bank of India[1]	Term loan of Rs. 100 crore vide a term loan agreement dated July 25, 2000	72.50	10.25	Repayable in 40 quarterly instalments of Rs. 2.50 crore each from December 24, 2006	First *Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
15.	State Bank of Hyderabad[1]	Term loan of Rs. 50 crore vide a term loan agreement dated July 25, 2000	32.14	10.75	Repayable in 14 half yearly instalments of Rs. 3.57 crore each beginning January 7, 2007	First *Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
16.	Punjab National Bank	Term loan of Rs. 150 crore vide a term loan agreement dated June 12, 2000	75.00	8.75	Repayable in 20 half yearly instalments of Rs. 7.50 crore each from October 26, 2004	*Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station
17.	Central Bank of India	Term loan of Rs. 100 crore, vide a term loan agreement dated June 12, 2000	45.00	9.00	Repayable in 20 half yearly instalments of Rs. 5 crore each from May 2, 2004	First *Pari passu* charge over all the fixed assets (except book debts and stores) of the Chamera-II power station

[**] The loan was converted into a secured loan vide an agreement dated October 4, 2006.

[1] If the GoI ceases to hold less than 51% of the paid-up share capital of our Company, the same would be considered as an event of default.

[2] In the event our Company does not seek the prior written consent of the lender prior to making any change or in any way altering its capital structure, the same would be considered an event of default. The Indian Overseas Bank vide letter dated June 19, 2008 given its written consent for the change in capital structure of our Company for this Issue.

D. Secured Long Term Loans availed of by our Company:

Set forth below is a brief summary of our Company's outstanding secured long term borrowings of Rs. 6,399.88 crore as of June 30, 2009 together with a brief description of certain significant terms, if any, of such financing arrangements.

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (p.a.)	Repayment Terms	Security
1.	PFC[1]	Loan of Rs. 186 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the Teesta V project	172.05	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly.	Repayment on 40 equal quarterly instalments beginning on October 15, 2008	First charge on *pari passu* basis by way of hypothecation of the movable assets of the Dulhasti power station.

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (p.a.)	Repayment Terms	Security
2.	PFC[1]	Loan of Rs. 750 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the ongoing Teesta Low Dam Stage IV hydroelectric project	346.00	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly. The three year AAA bond yield will be calculated by taking average of three years' AAA rates in one month preceding the close of its disbursement (excluding holidays).	Repayment on 40 equal quarterly instalments beginning on October 15, 2011	First charge on *pari passu* basis by way of hypothecation of the movable assets of the Dulhasti power station.
3.	PFC[1]	Loan of Rs. 70 crore vide a Memorandum of Agreement dated March 24, 2008 for the execution of the Chutak hydroelectric project	70.00	Yield on three years AAA corporate bond plus 50 bps with reset every three years payable monthly.	Repayment on 40 equal quarterly instalments beginning on October 15, 2011	First charge on *pari passu* basis by way of hypothecation of the movable assets of the Dulhasti power station.
4.	PFC[1]	Loan of Rs. 500 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the ongoing Teesta Low Dam Project Stage III hydroelectric project	500.00	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly. The three year AAA bond yield will be calculated by taking average of three years' AAA rates in one month preceding the close of its disbursement (excluding holidays).	Repayment in 40 equal quarterly instalments beginning on January 15, 2010	First *pari passu* charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – Stage I

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (p.a.)	Repayment Terms	Security
5.	PFC[1]	Loan of Rs. 413 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the ongoing Sewa II hydroelectric project	413.00	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly. The three year AAA bond yield will be calculated by taking average of three years' AAA rates in one month preceding the close of its disbursement (excluding holidays).	Repayment in 40 equal quarterly instalments beginning on July 15, 2009	First *pari passu* charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – I
6.	PFC[1]	Loan of Rs. 2,087 crore vide a Memorandum of Agreement dated September 17, 2007 for the execution and implementation of the Parbati Stage II hydroelectric project	607.00	Yield on three years AAAINBMK corporate bond plus 50 bps with reset every three years payable monthly. The three year AAA bond yield will be calculated by taking average of three years' AAA rates in one month preceding the close of its disbursement (excluding holidays).	Repayment in 40 equal quarterly instalments beginning on July 15, 2011	First *pari passu* charge by way of hypothecation of the movable assets and mortgage of the immovable assets of the Chamera power station – Stage II and Uri I power station.
7.	LIC[3 (a)(b)] [2 (b)(c)]	Non-renewable line of credit of Rs. 6,500 crore vide a line of credit agreement dated February 17, 2005, for meeting fund requirement of constructions duly approved by the GoI, future joint venture projects, paying of high cost debt, for survey and investigation	1,896.00	8.00% on the first tranche Rs. 11 crore repayable 8.43% on the second tranche of Rs. 85 crore repayable 8.65% on the third tranche of Rs. 50 crore repayable 9.53% on the fourth tranche of Rs. 35 crore repayable	Repayable in 24 half yearly instalments from April 30, 2012	Hypothecation of the moveable assets of the Company's Subansiri Lower hydroelectric project, the Teesta III Low Dam hydroelectric project and Teesta V power station and a mortgage on

S. No.	Name of Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest Rate (p.a.)	Repayment Terms	Security
		projects and for any other purpose.		9.11% on the fifth tranche of Rs. 115 crore repayable.		the fixed assets of the Teesta III Low Dam hydroelectric project and Teesta V power station
				9.15% on the sixth tranche of Rs. 50 crore repayable.		
				9.11% on the seventh tranche of Rs. 467 crore repayable.		
				8.88% on the eight tranche of Rs. 483 crore repayable.		
				8.78% on the ninth tranche of Rs. 200 crore repayable.		
				9.78% on the tenth tranche of Rs. 400 crore repayable.		
8	LIC [2 (a)(b)(c)]	Non-renewable line of credit of Rs. 2,500 crore vide a line of credit agreement dated February 14, 2003 for meeting part of capital expenditure of hydro electric projects being and/or to be implemented by our Company all over India during the period of the facility.	2,395.83	9.25% on the first tranche of Rs. 100 crore repayable	Repayable in 24 half yearly instalments from April 15, 2009	First mortgage and charge on all the moveable and immovable assets, both present and future, of the Company's Parbati II hydroelectric project and the Dhauliganga power station
				8% being payable on the remaining Rs. 2,400 crore repayable		

[1] *Our Company has undertaken to maintain an asset value of at least 1.1 times the loan amount. Also, our Company shall not transfer or abandon the project at any stage without the written consent of PFC.*

[2 (a)] *Our Company undertakes to maintain:*

- *a ratio of debt to net worth, which does not exceed 2:1*
- *an interest coverage ratio of more than 1.5 times*

Further, our Company undertakes to maintain security coverage ratio of 1.25 times of the outstanding principal at all times during the currency of the facility. In the event of default, the lender shall be entitled to the right to review the management setup or organisation of our Company and to require our Company to restructure it as it may consider necessary, including the formation of management committees, with such powers and functions as maybe *considered suitable. The lender shall also be authorised to appoint its representatives on various committees. In the event of default, our Company further undertakes not to, without the prior written permission of the lender, amend its Memorandum or Articles of Association.*

[(b)] *Our Company shall not without prior intimation to the lender, undertake any new project, diversification, modernisation or expansion of its existing projects. Our Company shall not create any subsidiaries or permit any company to become its subsidiary except with the prior intimation the lender. In the event, the Government's equity in our Company falls below 51%, the same shall be considered an event of default.*

[(c)] *A fall in credit rating below AA+ and deterioration in financial strength measured by mutually agreed financial ratios, would be considered an event of default.*

[3 (a)] *Our Company has undertaken to maintain the following financial covenants:*

- *a ratio of debt to net worth does not exceed 2:1 at any point of time*
- *an interest coverage ratio of more than two times.*

Further, Our Company has also undertaken to maintain a security coverage ratio of 1.33 times of the outstanding principal at all times during the currency of the facility.

A fall in credit rating below A and deterioration in financial strength measured by mutually agreed financial ratios would be considered an event of default.

E. Unsecured Long Term Subordinate Debts availed of by our Company:

Set forth below is the brief summary of our Company's outstanding unsecured long term subordinate debt of Rs. 34 crore as of June 30, 2009.

S. No.	Name of the Lender	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest/Coupon Rate (p.a.)	Repayment Terms
1.	GoI, MoP	Subordinate debt of Rs. 270 crore for our Nimoo Bazgo project	34.00	4.00	Repayment w.e.f. the 12th year after commissioning of the project till the 29th year.
2.	GoI, MoP	Subordinate debt of Rs. 364 crore for our Chutak project	N.A.*	2.50	Repayment w.e.f. the 6th year after commissioning of the project till the 29th year.
3.	GoI, MoP	Subordinate debt of Rs. 2,380.44 crore for our Kishanganga project	N.A.*	1.00	Repayment w.e.f. the 11th year after commissioning of the project till the 20th year.

** There has been no drawdown under this sanction as of June 30, 2009*

F. Unsecured Short Term Loan availed of by our Company:

Set forth below is the brief summary of our Company's outstanding unsecured short term loans of Rs. 630.00 crore as of June 30, 2009.

S. No.	Name of the Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest/Coupon Rate (p.a.)	Repayment Terms
1.	Indian Overseas Bank	Short term loan of Rs. 300 crore through a demand promissory note dated June 25, 2009.	300.00	7.20	Bullet repayment after expiry of 90 days.
2.	Indian Overseas Bank	Short term loan of Rs. 200 crore through a demand promissory note	200.00	7.20	Bullet repayment after expiry of 90 days.

S. No.	Name of the Lender(s)	Facility/Loan Documentation	Amount Outstanding (in Rs. crore)	Interest/Coupon Rate (p.a.)	Repayment Terms
		dated June 29, 2009.			
3.	Indian Overseas Bank	Short term loan of Rs. 130 crore against fixed deposit	130.00	11.62	Repayment upon maturity of the fixed deposit (i.e. July 1, 2009)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also see ***"Risk Factors"*** *on page xiii, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company and our Subsidiary, and, unless otherwise stated, is based on our Restated Consolidated Financial Statements, which have been prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Guidelines. The following discussion is also based on internally prepared statistical information and other sources. Our Fiscal year ends on March 31 of each year, so all references to a particular "Fiscal" are to the twelve-month period ended March 31 of that year.*

OVERVIEW

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

We have developed and constructed 13 hydroelectric power stations and our current total installed capacity is 5,175 MW. Our current total generating capacity is 5,134.2 MW, which takes into account a downgrade of the capacity ratings of the Loktak and Tanakpur power stations by the CEA. This total installed capacity and total generating capacity includes two power stations with a combined capacity of 1,520 MW, constructed and operated through our Subsidiary, NHDC. Our power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. Our Company and our Subsidiary generated 16,582.72 MUs and 2,368.45 MUs of electricity, respectively, in Fiscal 2009. In Fiscal 2009, our Company and our Subsidiary sold 14,587.88 MUs and 2,345.01 MUs of electricity, respectively.

We are presently engaged in the construction of 11 additional hydroelectric projects, which are expected to increase our total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totalling 7,255 MW of anticipated capacity.

We selectively form alliances with state governments to undertake project development. Pursuant to an MoU with the government of Madhya Pradesh, we incorporated our Subsidiary on August 1, 2000 to take advantage of the hydroelectric potential of the Narmada river basin. In addition, in September 2007 we signed an MoU with the government of Manipur to establish a joint venture to develop the Loktak Downstream hydroelectric project, and in June 2007 we entered into an MoA with the government of Arunachal Pradesh to implement the Dibang project on an own-and-operate basis. Further, on October 10, 2008 we signed an MoU with JKSPDC, the government of Jammu & Kashmir and PTC to implement the Pakal Dul hydroelectric project and other hydroelectric projects in the Chenab river basin having an anticipated aggregate installed capacity of approximately 2,100 MW. For further information, see "***History and Certain Corporate Matters***" on page 129.

We have experience in the design, development, construction and operation of hydroelectric projects. We execute and manage all aspects of projects, from front-end engineering design to commissioning and operation and maintenance of the project. We have also been engaged as a project developer for certain projects, where our scope of work is to design, develop and deliver a hydroelectric power station to a client on an agency basis. We also provide contract-based technical, management advisory and consultancy services to domestic and international clients.

Based on our Restated Consolidated Financial Statements, in Fiscals 2007, 2008 and 2009 we generated total income of Rs. 2,579.95 crore, Rs. 3,321.63 crore and Rs. 4,051.52 crore, respectively, and net profit of Rs. 1,049.10 crore, Rs. 1,207.04 crore and Rs. 1,244.15 crore, respectively. In Fiscal 2009, our average selling price of electricity was Rs. 2.03 per unit. In Fiscal 2009, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements.

Our operational efficiency has been reflected through high average capacity indices for our power stations. The average capacity indices for our Company for Fiscals 2007, 2008 and 2009 were 94.11%, 96.13% and 93.61%, respectively. These indices are higher than the cumulative capacity index levels, which are required under CERC regulations. Our higher efficiency parameters entitled us to certain incentive payments pursuant to the tariff policy in place for Fiscal 2005-Fiscal 2009.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff policy of the GoI

Tariffs for each of our hydropower stations are determined by the CERC. A new tariff policy was issued by CERC pursuant to notification no. L-7/145(160)/2008-CERC dated January 19, 2009, and relates to the period from April 1, 2009 to March 31, 2014.

Tariffs are determined by reference to AFC, which comprise primary energy charges and capacity charges and is determined by return on equity, depreciation, interest on loan, interest on working capital and operation and maintenance expenses. Recovery of capacity charges is dependent on the actual utilisation of our machines for generating power. Capacity is determined by reference to the normative annual plant availability factor NAPAF, which has been prescribed for each project based on the nature of the project.

We are entitled to receive incentives for achieving a plant availability factor greater than NAPAF as well as for generating energy in excess of the design energy level of the plant. This contrasts with the tariff system in place for Fiscal 2005 to Fiscal 2009 in which additional energy charges were recovered when prescribed capacity levels were exceeded. For a discussion of the components of these tariff regulations and their effect on our results of operations, see **"–*Revenues – Tariffs*"** below.

Growth of the power sector and competition within the power sector

Our financial results are significantly affected by general economic conditions prevailing in India and in particular by developments in the power sector. Over the last few years, India has been one of the fastest growing economies in the world. In spite of the global economic downturn during 2008-2009, the overall growth rate of GDP in India in 2008-2009 was 6.7%, while the GDP growth rate was 9.0% in 2007-2008 (Source: *Central Statistical Organisation, Revised Estimates of Annual National Income, 2008-09 and Quarterly Estimates of Gross Domestic Product, 2008-09*). According to the Indian Ministry of Finance in its Union Budget and Economic Survey 2007-2008, per capita income grew at an annual average rate of 7.2% during the period from 2003-04 to 2007-08. Power is a critical sector for the economic growth of a country.

The GoI adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased targets for additional capacity. The Tenth Plan, which covered Fiscal years 2002 to 2007, targeted a capacity increase of 41,110 MW. Against this target, a capacity increase of 21,180 MW was achieved during the Tenth Plan. The Eleventh Plan targets the addition of 78,700.4 MW by the end of Fiscal 2012, of which 12,716.70 MW have already been commissioned as of March 31, 2009. Of this already commissioned generating capacity, hydropower units accounted for 26.67%.

According to the CEA Monthly Review of the power sector, as of May 31, 2009, India had an installed generation capacity of approximately 149,392 MW and hydroelectric power stations accounted for approximately 25% of that capacity.

Hydrological and environmental conditions

For a hydroelectric power project, the energy generated by the station is dependent on the availability of water flows. This is unlike thermal power plants where actual energy generated is directly proportional to the installed capacity and is subject only to the machine availability and load demand.

The planning of hydroelectric projects in hydrological terms is based on the assumption that the past history of water availability will be repeated in the future. The design energy for hydropower stations is derived from hydrological studies carried out on historical discharge data. Design energy is taken as the energy that can be generated by utilising the quantum of water available in a 90% dependable year, that is, water flow which is 90% probable. A power station is designed on the basis of water availability in a 90% dependable year to ensure sufficiency of water availability estimates taken for the design of the project. As this dependability is determined on a long term basis, there may be some years or several years in succession wherein the planned generation may not be fully realised, while on the other hand there could be some years or several years in succession where the planned generation estimates are surpassed.

In storage-type hydroelectric projects, sediment carried downstream by a river can be blocked when a dam is constructed. This sediment may build up behind the dam wall and affect the capacity of the reservoir. Over 80% of the total annual "silt load", as it is called, is carried by the rivers in the monsoon season. By devising an efficient reservoir management system, most of the annual silt load can be safely passed downstream. This generally requires us to keep the reservoir at a lower operating level during this period. Thus some generation loss is typical, even though the monsoon period generally means that there is high water availability.

As our hydroelectric projects are located in mountainous regions, geological factors influence the construction and operation of our projects. Our projects are affected by uncertain geological conditions that may impact aspects of our projects, including underground works and slope and reservoir rim stability. Damage can also occur to projects during periods of seismic activity.

Transmission constraints

Our tariffs for Fiscal 2005 to Fiscal 2009 were determined pursuant to the CERC tariff regulations applicable during that period. During that period, out results were affected by constraints on transmission.

Transmission lines that carry the electricity that we generate are owned and controlled by separate entities. Due to circumstances beyond our control, these transmission lines may not have been available to carry the power that we generated. In these situations actual generation did not take place despite the fact that generation capacity was available. The loss of generation due to such conditions was considered to be "deemed generation" in accordance with the CERC tariff regulations and the applicable revenue was still paid to us. Our overall sales revenue was therefore not adversely affected by such transmission constraints.

Pursuant to the tariff policy relating to the period from April 1, 2009 to March 31, 2014 tariffs will be calculated in part based on actual utilisation of our plant and we will not receive revenue based on such "deemed generation".

Tax benefits

Minimum alternate tax

We have taken advantage of benefits in respect of carry forward losses since Fiscal 1981 and have paid minimum alternative tax ("**MAT**") under Indian taxation laws for the last nine Fiscal years. MAT involves the payment of tax on a company's book profits in the event that the tax otherwise payable in accordance with the tax law is less than a certain limit. A depreciation tax shield will be available in respect of fixed assets acquired by our Company in the future in accordance with applicable tax rates prevailing at that time.

Fringe benefit tax

Fringe benefit tax ("**FBT**") is an additional tax levied under Section 4 of the Income Tax Act, 1961. FBT is governed by Chapter XII-H (Section 115W to 115WL) of the Income Tax Act, 1961. FBT, being an additional income tax, is a pass through in the current tariff structure.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are important to both the portrayal of our financial condition and results of operations and that also require management's most subjective judgments. In order to provide an understanding about how our management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

Basis for Preparation of Summary Restated Consolidated Financial Statements: The consolidated financial statements include accounts of the Company and our Subsidiary, NHDC. Our Company has a direct interest of more than one half of the voting power of the Subsidiary and has power to exercise control over its operation. The Subsidiary's accounts consolidated from the date on which effective control was transferred to us. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between us and the Subsidiary are eliminated. Consistency in adoption of accounting policy is ensured to the extent practicable.

The consolidated financial statements have been prepared in accordance with historical cost convention, the accounting standards issued by ICAI and the relevant provisions of the Companies Act.

Accounting Conventions: Our accounts are prepared under the historical cost convention using the accrual method of accounting.

Fixed Assets: Fixed assets are stated at cost of acquisition or construction, as the case may be. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is carried out on an estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.

Fixed Assets created on land that does not belong to us, but which we have the right to use, are included under fixed assets.

Capital expenditure on assets where neither the land nor the asset is owned by our Company is reflected as a distinct item in capital work in progress until completion and thereafter in the fixed assets.

Payments made provisionally towards compensation and other expenses relating to land are treated as cost of land. Land that a state government has given us the right to use without transfer of title and expenses for (i) relief and rehabilitation or (ii) the creation of alternate facilities for project-affected people, where the construction of such alternate facilities is a specific precondition for the acquisition of the land for the purpose of the project, is accounted for as land unclassified and such land unclassified is amortised over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project. Assets procured or created in projects on grants-in-aid/agency or deposit basis are not included in the assets, as ownership does not vest with our Company.

Construction equipment considered to be surplus is shown at the lower of book value and net realisable value.

Capital Work-in-Progress: Projects under commissioning and other capital work-in-progress are carried at cost. Administration and other general overhead expenses attributable to the construction of fixed assets, including interest and depreciation on fixed assets used in construction, are carried as a part of "Expenditure During Construction" to be allocated to major immovable assets of projects (classified as power house buildings, hydraulic works and generating plant and machinery, including foundations and plant and machinery sub stations), excluding land and infrastructure facilities.

Expenditure on maintenance and the upgrade of common public facilities in projects under construction is charged to "Expenditure During Construction".

Expenditure in relation to project under survey and investigation is carried as capital work-in-progress. Such expenditure is either capitalised as a cost of the project upon completion of the construction of the project or expensed in the year in which it is decided to abandon such project.

Self Insurance: 0.5% p.a. of the gross block of our hydropower stations as of the balance sheet date is transferred to our self insurance reserve on a year to year basis through our profit and loss appropriation account. The amount of such transfer is utilised for losses of assets for should certain contingencies occur.

Machinery Spares: Machinery spares procured subsequently to the plant and machinery to which they relates, the use of which is expected to be irregular, are capitalised separately if the cost of such spares is known and such cost is depreciated fully over the residual useful life of the related plant and machinery. If the cost of such spares is not known, which is often the case when procured concurrently with the plant, these costs are capitalised and depreciated along with the plant.

The written down value of a spare is charged to the profit and loss account in the year in which such spare is used to replace a part that is no longer refurbishable and therefore no longer reusable. If the spare is replacing a part that can be refurbished and reused, the spare will not be charged to the profit and loss account. Similarly, the value of such a spare procured and used to replace a part that is no longer refurbishable and reusable in a particular year is also charged to the profit and loss account in that particular year.

When the useful life of the related fixed asset expires and the asset is retired from active use, such spares are valued at net book value or net realisable value, whichever is lower. However, in cases where retired assets are not replaced, written down value of related spares less disposable value is written off.

Other spares are treated as "stores and spares" forming part of the inventory and expensed when issued.

Inventories: Stores and spares are valued at cost, as determined on a weighted average basis, or at net realisable value, whichever is lower.

Losses from unserviceable and obsolete stores and spares identified on review are provided in the accounts. Stores issued for operation and maintenance at power stations but that have not been used at site at the year-end are evaluated at engineering estimates and taken as stores.

Investments: Investments are intended for the long term and are carried at cost. Provision for decreases, other than temporary, in the value of such investment is provided.

Foreign Currency Transactions: Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate prevailing on such balance sheet date.

Exchange differences in respect of liabilities relating to fixed assets and capital work-in-progress arising out of transactions entered into prior to April 1, 2004 are adjusted to the carrying cost of the respective fixed asset/capital work-in-progress.

Other exchange differences are recognised as income and expenses in the period in which they arise in the profit and loss account in respect of operational stations and to "Expenditure During Construction" in respect of projects under construction.

Employee Benefits: Provision for leave travel, leave encashment and baggage allowance admissible on superannuation is made based on actuarial valuation at the year end. Provision for retirement benefits as defined in Accounting Standard 15 (2005) on Employee Benefits is made based on actuarial valuation at the year end. Expenses on *ex-gratia* payments and notice pay under a voluntary retirement scheme are charged to revenue in the year the expense is incurred.

Borrowing Costs: Borrowing costs attributable to fixed assets during construction/renovation and modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxes on income: Taxes on income for the current period are determined on the basis of taxable income under the Income Tax Act, 1961. Income tax is a pass-through to SEBs and SEB successor entities to the extent relatable to our core business, being the generation of electricity.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognised and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Our Deferred Tax Recovery Adjustment Account is credited or debited to the extent tax expense is chargeable from the SEBs and successor entities in future years on an actual payment basis.

REVENUES

Our total income comprises sale of energy, revenue from contracts and consultancy services, interest on power bonds and long term advances and other income.

In Fiscal 2009, we derived Rs. 3,444.78 crore, or 85.02% of our consolidated revenue, mainly from sale of energy. Of this, we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long-term power purchase agreements. Our Subsidiary sold 2,345.01 MU, or 100% of units sold to MPTRADECO and MPSEB, both entities of the government of Madhya Pradesh.

Sales (Net)

Our sales of electricity are made pursuant to long term PPAs, which generally run for an initial term of five years. The agreements are typically renewed or extended after the initial term expires. All of our existing facilities have PPAs that cover 100% of their generating capacity. Although electricity generation capacity has increased significantly in recent years, the demand for electricity in India is still substantially higher than the available supply. As a result, we have not had difficulty entering into PPAs to cover our capacity and do not expect such difficulty in the near future.

NHPC has historically had difficulty recovering dues from the SEBs. In each of Fiscal 2002, 2003, 2004 and 2005 NHPC recovered 69.03%, 94.44%, 97.06% and 101%, respectively of its billings from SEBs. The improvement in recovery was principally because of the implementation of the One Time Settlement and the Tripartite Agreements, under which the SEBs were required to establish LCs to cover 105% of NHPC's average billings to them. In each of Fiscal 2006, 2007, 2008 and 2009, NHPC recovered 103%, 101%, 100% and 99.68%, respectively, of our average billings from SEBs, which included billing in respect of sales pertaining to earlier years. In addition, NHDC has entered into an LC with each of MPTRADECO and MPSEB to cover 105% of its average billing with each entity.

Further, under the Tripartite Agreements, overdue amounts owed to NHPC by the SEBs as of September 30, 2001 were securitised by the issue of tax free bonds and long term advances. We account for the interest income from these bonds as "Interest on Power Bonds and Long Term Advances". Similarly, in March 2008, NHDC entered into an agreement with MPTRADECO and MPSEB in respect of payment of Rs. 448.25 crore towards the settlement of overdue amounts outstanding as of August 2007. The Tripartite Agreements are discussed in further detail below

Tariffs Policy for Fiscal 2005 to Fiscal 2009

The CERC sets our tariff rates on a station-by-station basis with reference to the tariff norms it has promulgated.

Our tariffs for Fiscal 2005 to Fiscal 2009 were determined pursuant to the CERC tariff regulations applicable during that period. During that period, the tariff comprised of the following elements:

The AFC

The AFC consists of the following components:

- Return on equity of 14%, on a post-tax basis. Return on equity is based on a prescribed '70/30' debt equity ratio. Where the equity employed is greater than 30%, the amount of equity used to determine the tariff is limited to 30%. The return on the excess equity is recovered on the same basis as the recovery on the debt component. Where the equity employed is less than 30%, the actual amounts of debt and equity is to be used to determine the tariff. In respect of power stations that were commissioned after April 1, 2004, but for which investment approval was granted before April 1, 2004, the CERC may consider equity higher than 30% based on the interests of the general public.

- Depreciation, which is charged on a straight line basis up to 90% of historical costs of assets based on the useful lives of our assets as established by the CERC.

- An "advance against depreciation" to facilitate loan repayments, based on a normative ten year repayment of debt. This advance is deducted from sales and is considered as deferred revenues to be included in sales in subsequent years.

- Interest on outstanding debt; depreciation recovered from tariffs during the moratorium period, if any, on project loans is presumed to be paid towards loan repayment for the purposes of future tariff calculations, and the interest on these loans is calculated accordingly.

- Operation and maintenance expenses calculated for (i) stations that have been in operation for more than five years, based on the average operation and maintenance expenses for the preceding years, and (ii) new stations at 1.5% of capital costs. These costs are adjusted annually to account for inflation.

- Interest on working capital determined in accordance with CERC norms.

AFC is recovered by way of primary energy charges and capacity charges.

- Primary energy charge is the product of saleable primary energy (in MU) and primary energy rate.

- Saleable primary energy is the lower of saleable scheduled energy and saleable design energy.

- Primary energy rate is based on the yearly average of lowest variable charges of any central sector thermal generating station in the region for the preceding year.

- Capacity charge is equivalent to the AFC minus the primary energy charge. To recover the full capacity charge, we need to achieve normative capacity index, which is fixed at 85% for storage-type power stations and RoR power stations with pondage but changes to 90% for purely run-of-the-river power stations. If we operate at less than normative capacity index, we recover capacity charges on a *pro rata* basis.

Incentives

Incentives consist of:

- Incentives on account of excess generation, known as "secondary energy" charges, which are charged at a primary energy rate of saleable units over and above saleable design energy.

- Incentives on account of excess machine availability, which are incentives for exceeding our normative capacity index of 85% for storage-type power stations and RoR power stations with pondage and 90% for purely RoR power stations.

Unscheduled Interchange Charges

We receive or pay unscheduled interchange charges in the event that the supply of energy is at variance with the scheduled energy given by the relevant load dispatch centre. The charge varies depending on system frequency. The unscheduled interchange charge became effective from December 1, 2002 for the northern region, April 1, 2003 for the eastern region and November 1, 2003 for the north eastern region and is charged in accordance with the rates notified by the CERC from time to time.

Income Tax

Any income tax payable on our core business, which includes sale of energy, is passed through as part of tariff to beneficiaries, SEBs and successor entities.

Foreign Exchange

Fluctuations in exchange rates for offshore borrowings are recoverable or payable through our tariffs on a year-to-year basis on account of additional rupee liability in respect of interest and repayment of principal.

Implementation of Tariff Policy for Fiscal 2010 to Fiscal 2014

A tariff policy was issued by the CERC pursuant to notification no. L-7/145(160)/2008-CERC dated January 19, 2009, and relates to the period from April 1, 2009 to March 31, 2014. This tariff policy will impact our revenues from sales of energy going forward.

Revisions in the norms for AFC are as follows:

Component of AFC	**Tariff Period**	
	2009 - 2014	**2004 - 2009**
Return on Equity	15.5% (an additional 0.5% for timely completion)	14%
Interest on Loan Capital	As per Actual	As per Actual
Depreciation	4.5-5%	2.5-3% + AAD
Interest on Working Capital	Based on normative parameters	Based on normative parameters
O&M expenses	Based on actual O&M for the period 2003-04 to 2007-08 for existing plants and on 2% of project cost for projects after April 1, 2009 (excluding rehabilitation and resettlement expenses) and escalated at 5.72% p.a.	Based on 1.5% of the capital cost and escalated at 4% p.a.

Revisions that will have an impact on components of working capital:

- Maintenance spares being charged against interest on working capital has been allowed at the rate of 15% of O&M expenses instead of 1% of the historical capital cost escalated at 6% p.a;

Revisions in the norms for recovery of AFC are as follows:

- The Capacity Index has been replaced with the NAPAF;
- Under the previous tariff system, the capacity charge was equal to the AFC minus the primary energy charge, which was equal to the product of saleable primary energy (in MU) multiplied by the prime energy rate. To recover the full capacity charge, a power generating station was required to achieve normative capacity index; however, in the cases where capacity index achieved was less than the normative level, the power generating station recovered the capacity charge on a pro rata basis. Under the current system, capacity charges for a hydro generating station will constitute 50% of the AFC and will be calculated using a formula that takes into account the prescribed project specific NAPAF and the actual plant availability factor achieved.

Revisions in the norms for incentives are as follows.

- The earlier system of incentives has been replaced with incentives for generation beyond the design energy level of the plant as well as for plant load factors beyond normative levels;
- The rate of secondary energy has been capped at Rs. 0.80 per unit.

Certain other revisions in the norms are as follows:

- In the event of under or over recovery of tariffs based on provisional tariff rates, the rate of interest has been changed to from 6% to the SBI PLR;
- Hedging has also been allowed in respect of interest and repayment of foreign loans;
- Early payment rebates to beneficiaries are now paid based on the entire billed amount rather than only on the capacity charge and energy charge portions of the billed amount.

Impact of Potential Future Changes to Tariffs

Further reviews of, or changes in, tariff norms by the CERC, judgments of the Appellate Tribunal for Electricity or notifications by respective state governments relating to issues that affect hydropower generation may limit our ability to recover payments due to us or prices that we can charge for our power. This may have adverse effect on our results of operations and cash flow from operations. For a discussion on tariff policy in the electricity industry in India, see ***"Regulations and Policies in India"*** on page 119.

Provisional Tariffs

Occasionally, CERC does not fix the final tariff by the time the project is commercially operative. For these stations, CERC fixes a provisional tariff on the basis of which we bill the customer. Similarly, upon a change in the tariff, provisional tariffs are allowed by CERC pending the implementation of final tariff for the new tariff period.

We book revenues based on the lower of our assessment of the likely final tariff based on CERC regulations and the provisional tariff fixed by CERC. When the CERC fixes the final tariff for these hydropower stations, we make adjustments to our revenues on the basis of the final order to the extent of the difference between the provisionally booked revenues and the revenues based on the final tariffs.

The provision for provisional tariffs has been eliminated for the tariff period beginning April 1, 2009 and provisional tariffs are unlikely to have an impact on projects commissioned from April 1, 2009 onwards.

Interest on Power Bonds and Long Term Advances

Pursuant to the One Time Settlement, the GoI, on behalf of the central sector power utilities, executed Tripartite Agreements with the RBI and the state governments to effectuate a settlement of overdue payments, by way of tax-free power bonds, owed to NHPC by the SEBs or other state government entities and utilities or their successors with provisions for incentives for future timely payment. In addition, a similar settlement, by way of long term advances, was entered into between the GoI and the national capital territory of Delhi ("**Settlement**").

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

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

The Tripartite Agreements and Settlement require each SEB to establish an LC in our favour with a commercial bank. The LCs are required to cover 105% of the average billed amount for the preceding twelve months and are required to be updated twice every year. If the LC for the required amount is not in place, NHPC has the right to regulate the power supply to the concerned SEB and their successor entities in accordance with the provisions of the Tripartite Agreements.

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

In addition, if payment is not made within 60 days of the invoice being issued, NHPC has the right to reduce power supply by 5% and if payment is not made within 75 days, NHPC has the right to reduce power supply by 10%. If payment is not made within 90 days, NHPC has the right to reduce power supply by 15%. If NHPC reduces the power supply in the manner described above, we can approach the GoI to pay NHPC the outstanding amounts from the concerned state's account balance with the RBI.

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

Agreements entered into by NHDC in respect of payments of outstanding dues

An agreement was entered into on March 26, 2008, between NHDC, MPTRADECO and MPSEB for the payment of outstanding dues. MPTRADECO agreed to pay Rs. 448.25 crore towards the settlement of overdue amounts outstanding as of August 2007 along with interest at the rate of

10% per annum. This amount, along with interest, is payable by MPTRADECO in 49 equal monthly instalments commencing from April 2008.

Revenue from Contracts, Project Management and Consultancy Works

We also earn a small amount of revenue from entering into projects for consultancy services and on an agency basis. This revenue primarily consists of agency fees (determined as a percentage of the total contract amounts) received for executing works under construction contracts pursuant to the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojna scheme relating to the establishment of rural electrification infrastructure, primarily distribution lines. These two schemes are overseen by different agencies of the GoI and executed by PSUs and government departments. We are responsible for executing the construction projects allocated to us in certain specified areas throughout India.

Other Income

Our other income is mainly comprised of interest on short term deposits, interest on loans and advances (accounted for as income from term deposits), interest from SEBs and successor entities, dividend income, and late payment surcharge from customers.

EXPENDITURES

Generation, Administration and other Expenses

Expenses relating to generation, which include repairs and maintenance, consumption of stores and spares, and expenses relating to administration, which include rent, rates, taxes, insurance, security, travel and other expenses, are classified under this item. In Fiscal 2009, such expenses represented approximately 14.43% of our total expenditure.

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. For Fiscal 2009, employees' remuneration and benefits expenses represented 21.37% of our total expenditure. Expenses on *ex-gratia* payments and notice pay under the voluntary retirement scheme are charged to revenue in the year of incurrence.

The remuneration and benefit cost of those employees deployed in construction projects is capitalised through "Expenditure During Construction".

In respect of those employees that are engaged at, or perform work at, our hydropower stations, employee cost is included in this line item. Voluntary retirement scheme payments in respect of those employees deployed in construction projects is also included in this line item.

In respect of head office and regional offices, employee cost is allocated to construction and hydropower stations in a proportionate manner in accordance with our defined accounting policy.

Employee pay scales are determined by our Board based on the guidelines provided by the DPE. For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. As at June 15, 2009 approximately 59.98% of our employees are affiliated with worker unions. For our non-unionised employees, pay scales are decided by our Board in accordance with DPE guidelines after consulting with the relevant employee associations. Wages and benefits for our unionised employees and pay scales for our non-unionised employees are fixed in agreements that have 10 year terms.

In addition, pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the GoI has increased the pay scales of board members and executive officers of government enterprises, including the Company. These directives also require such government enterprises to implement salary increases for employees below executive level and these wage increases are to be determined by the boards and management of the relevant government enterprises. Salary increases for all affected government employees will be retrospectively effective from January 2007.

As of March 31, 2009, we have made total provisions of Rs. 413.86 crore for this retrospective salary payment. This provision has been based on our estimates taking into account the payment requirements outlined in the DPE's memoranda.

Further, the Pay Committee has recommended that all public sector undertakings should formulate an ESOP and 10% to 25% of the PRP should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify. For further information, see "***Risk Factors – Recent announcements by the Government of India relating to increased wages for government employees will increase our expenses and may adversely affect our financial condition in the years of implementation***." on page xviii.

We believe we have made appropriate provisions in our accounts in respect of all anticipated increases to employees' remuneration and benefits.

Depreciation

We depreciate assets on a straight line basis to the extent of 90% of the cost of the asset at rates specified in norms notified by CERC for the purpose of fixing tariffs.

Depreciation is charged on construction, plant and machinery at a rate of 11.25% p.a. and on computers and peripherals at 30% p.a. Expenditure on software is recognised as "Intangible Assets" to be amortised over three years.

Depreciation is provided on pro rata basis in the year in which the asset becomes available for use. Where the cost of depreciable assets has undergone a change during the year due to an increase or decrease in long term liabilities on account of exchange fluctuation, the unamortised balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

Capital expenditure on assets where neither the land nor the asset is owned by our Company is amortised over a period of five years from the year in which the first unit of the project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.

Leasehold land is amortised over the period of its lease. In instances where the lease period has not yet been finalised, the lease period is taken to be 30 years except in the case of Jammu & Kashmir, where the lease period is taken to be 90 years.
Depreciation on a fixed asset that has been erected on leasehold land is charged at a rate of 90% of the original cost over the lease period of the leasehold land or at the applicable depreciation rate of such asset, whichever is higher.

Interest and Finance Charges

Our interest charges consist primarily of interest expense on bonds and term loans. For accounting purposes, our borrowings are denominated in Rupees, including those raised in foreign currencies, primarily consisting of Japanese Yen, U.S. Dollars and Euros. Borrowing costs related to construction are capitalised.

In addition, to encourage SEBs and SEB successor entities to make full and regular payment of current dues, we allow rebates of up to 2% of the billed amount on a case by case basis. We book these rebates to customers under interest and finance charges.

Provisions

We maintain provisions on account of doubtful debts, claims and advances, expenditure in relation to projects that are subject to environmental clearances and pending adjudication in the Supreme Court and obsolescence of stores and spares. Such provisions are estimated on a year to year basis and are based upon management assessment.

Expenditure on Contracts, Project Management and Consultancy Work

Contract expenditure represents direct expenditure relating to construction contracts, employee expenditure for contract and consultancy personnel and administration and general overhead expenses relating to contracts that we execute either on an agency basis or otherwise on behalf of third parties (primarily the GoI on behalf of state governments). Losses, including those anticipated in the contracts, are recognised immediately. As of July 20, 2009, the Company had 335 consultancy personnel.

Incentives to Beneficiary States

Prior to April 1, 2006, in order to comply with the provisions under the Tripartite Agreements and Settlement we were required to provide for cash incentives to SEBs and SEB successor entities based on the issued amount of the power bonds and long term advances. However, we are no longer required to pay such incentives from April 1, 2006.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits for the periods indicated.

The financial information for each of the Fiscals 2009, 2008, 2007 and 2006 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of the restatement are shown as restatements of individual line items in our income statement. Consistent with this presentation, we have referred to the adjusted amounts that appear in our financial statements when we discuss individual line items in the comparison of our results of operations from year to year that follows the table below.

(Rs. in crore)

Particulars	For the Fiscal year ended March 31,			
	2009	**2008**	**2007**	**2006**
Income				
Sales (Net)	3,444.78	2,891.79	2,245.94	2,031.75
Revenue from Contracts, Project Management and Consultancy Works	48.93	39.06	23.29	22.63
Interest on Power Bonds and Long Term Advances	185.27	209.22	234.09	239.54
Other Income	372.54	181.56	76.63	58.95
TOTAL	**4,051.52**	**3,321.63**	**2,579.95**	**2,352.87**

Particulars	For the Fiscal year ended March 31, 2009	2008	2007	2006
Expenditure				
Generation, Administration and Other Expenses	363.84	232.55	168.87	188.93
Employees' Remuneration and Benefits	538.96	348.03	258.85	216.10
Depreciation	656.29	560.74	368.66	344.14
Interest and Finance Charges	776.01	637.66	361.52	412.79
Provisions	125.91	21.15	30.37	22.53
Expenditure on Contracts, Project Management and Consultancy Works	61.16	34.09	25.26	25.26
Incentive to Beneficiary States	-	-	-	75.48
Total	**2,522.17**	**1,834.22**	**1,213.53**	**1,285.23**
Profit Before Minority Interest, Tax and Extraordinary Items	**1,529.35**	**1,487.41**	**1,366.42**	**1,067.64**
Provision for Taxation				
Current Year Tax and Fringe Benefit Tax	167.79	168.51	197.20	75.92
Deferred Tax	554.32	400.13	351.36	247.62
Less: Deferred Tax Recoverable Adjustment	(554.32)	(400.13)	(351.36)	(247.62)
Net Taxation	**167.79**	**168.51**	**197.20**	**75.92**
Extraordinary Items Net of Taxes	**33.27**	**46.11**	**-**	**-**
Minority Interest	**150.68**	**157.97**	**120.12**	**127.06**
Net Profit	**1,244.15**	**1,207.04**	**1,049.10**	**864.66**

Comparison of Fiscal 2009 to Fiscal 2008

In Fiscal 2009, we sold 16,932.89 MUs of electricity from a commercial capacity of 5,134.20 MW and in Fiscal 2008, we sold 16,181.29 MUs from a commercial capacity of 4,794.20 MW. This represents an increase of 4.64% in the number of units sold. Our average selling price was Rs. 2.03 per unit in Fiscal 2009, compared to Rs. 1.79 per unit in Fiscal 2008.

In April 2008, we commissioned the final two units of 170 MW each of the Teesta V hydropower station and this development impacted our results for Fiscal 2009. Our Company’s average capacity index in Fiscal 2009 was 93.61% compared to 96.13% in Fiscal 2008, which was impacted by a 42 day shutdown of the Teesta V hydropower station shortly after full commissioning due to flash flooding that caused high silt loads.

We were designated as a Mini-Ratna Category-I public sector undertaking by the GoI in April 2008. As a Mini-Ratna Category-I entity, we now have greater autonomy to undertake new projects without GoI approval, subject to an investment ceiling of Rs. 500 crore set by the GoI.

Income

(Rs. in crore)

Income	Fiscal 2009	Fiscal 2008
Operating Income	3,678.98	3,140.07
Other Income	372.54	181.56
Total Income	**4,051.52**	**3,321.63**

Our total income increased by 21.97% to Rs. 4,051.52 crore in Fiscal 2009 from Rs. 3,321.63 crore in Fiscal 2008, primarily due to sale of energy of Rs. 3,444.78 crore. We also earned income from contracts, project management and consultancy works totalling Rs. 48.93 crore and interest on power bonds and long term advances totalling Rs. 185.27 crore.

Sales of Energy (Net)

Net sales of energy increased by 19.12% to Rs. 3,444.78 crore in Fiscal 2009 from Rs. 2,891.79 crore in Fiscal 2008. Net sales of energy increased due to the commissioning of two additional units of 170 MW each of the Teesta V hydropower station in April 2008 and to the full year operation of the first 170 MW unit commissioned in March 2008. The Teesta V hydropower station generated a total revenue of Rs. 283.78 crore in Fiscal 2009. Further, net sales of energy were impacted by the full year operation of the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008.

Net sales of energy also increased due to the billing of Rs. 119.08 crore of foreign exchange rate variation, which is an amount that is passed through to beneficiaries, SEBs and their successor entities. This billing does not impact our profitability, primarily due to the fact that an amount of Rs 104.42 crore of foreign exchange rate variation expenses were expensed in our generation, administration and other expenses.

Revenue from Contracts, Project Management and Consultancy Works

Our income from contracts, project management and consultancy works was Rs. 48.93 crore in Fiscal 2009, an increase of 25.27% over our contracts and consultancy income of Rs. 39.06 crore in Fiscal 2008. This increase was mainly due to execution of work on road projects that accounted for Rs. 16.05 crore in Fiscal 2009.

Interest on Power Bonds and Long Term Advances

Our income from interest on power bonds and long term advances was Rs. 185.27 crore in Fiscal 2009, resulting in a decrease of 11.45% from Rs. 209.22 crore in Fiscal 2008. This decrease in interest income was mainly on account of redemption of power bonds and long term advances amounting to Rs. 281.79 crore in Fiscal 2009.

Other Income

Our other income was Rs. 372.54 crore in Fiscal 2009, an increase of 105.19% over our other income of Rs. 181.56 crore in Fiscal 2008. This increase in other income was mainly due to interest earned on our deposit accounts, advances and term deposit accounts totaling Rs. 258.57 crore in Fiscal 2009 compared to Rs. 109.54 crore in Fiscal 2008, representing an increase of 136.05%. Other miscellaneous income totaling Rs. 54.54 crore in Fiscal 2009 compared to Rs. 21.34 crore in Fiscal 2008 also contributed to this increase. This comprised mainly of a write back of hedging provisions of Rs 23.0 crore.

Expenditure

(Rs. in crore)

Expenditure	Fiscal 2009	Fiscal 2008
Generation, Administration and Other Expenses	363.84	232.55
Employees' Remuneration and Benefits	538.96	348.03
Depreciation	656.29	560.74
Interest and Finance Charges	776.01	637.66
Provisions	125.91	21.15
Expenditure on Contracts, Project Management and Consultancy Work	61.16	34.09
Total Expenditure	**2,522.17**	**1,834.22**

Our total expenditure increased by 37.51% to Rs. 2,522.17 crore in Fiscal 2009 from Rs. 1,834.22 crore in Fiscal 2008. Our total expenditure as a percentage of our total income was 62.25% in Fiscal 2009 compared to 55.22% in Fiscal 2008. This increase was primarily due to the commissioning of two additional units of 170 MW each of the Teesta V hydropower station in April 2008 and to the full year operation of the first 170 MW unit of Teesta V commissioned in March 2008. In addition, our total expenditure were impacted by the full year operation of the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008. Other major factors effecting total expenditure in Fiscal 2009 were provisions, particularly those for bad and doubtful debts, salary increases and an increase in actuarial provisions.

Generation, Administration and Other Expenses

Our generation, administration and other expenses increased by 56.46% to Rs. 363.84 crore in Fiscal 2009 from Rs. 232.55 crore in Fiscal 2008. These expenses increased mainly due to Rs. 104.42 crore in foreign exchange rate variation expenses, which was offset by the billing of Rs 119.08 crore of foreign exchange rate variation, which is accounted for through net sales of energy.

Further, expenses increased due to the commissioning of two additional units of 170 MW each of the Teesta V hydropower station in April 2008 and to the full year operation of the first 170 MW unit of Teesta V commissioned in March 2008. In addition, our expenses were impacted by the full year operation of the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008.

Employees' Remuneration and Other Benefits

We had 12,569 employees on our payroll as of March 31, 2009, compared to 12,908 employees as of March 31, 2008. Of this, 5,468 and 5,099 employees, respectively for Fiscal 2009 and 2008, were engaged in operation and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees increased by 54.86% to Rs. 538.96 crore in Fiscal 2009 from Rs. 348.03 crore in Fiscal 2008.

Employees' remuneration and other benefits increased due to provisions of Rs. 95.23 crore made during Fiscal 2009 relating to retrospective salary payments. Provisioning for employees increased by Rs. 20.55 crore compared to Fiscal 2008. Retrospective payments are required to be made to employees effective from January 2007 pursuant to the GoI's decision to revise the pay scales of board members and executive officers of government enterprises, including the

Company. These directives also require us to implement salary increases for employees below executive level and these wage increases are to be determined by our board and management.

In addition, employees' remuneration and other benefits have increased due to additional provisions made during Fiscal 2009 in respect of a revision of the ceiling of gratuity payments (retirement benefits) from Rs 3.5 lakhs per employee to Rs. 10 lakhs per employee.

Further, employee expenses increased by Rs 46.99 crore due to the commissioning of two additional units of 170 MW each of the Teesta V hydropower station in April 2008, to the full year operation of the first 170 MW unit of Teesta V commissioned in March 2008 and the full year operation of the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008.

As a percentage of total income, employees' remuneration and other benefits increased from 10.48% in Fiscal 2008 to 13.30% in Fiscal 2009.

Depreciation

Our depreciation costs increased by 17.04% to Rs. 656.29 crore in Fiscal 2009 from Rs. 560.74 crore in Fiscal 2008. Our depreciation expense increased primarily due to the commissioning of two additional units of 170 MW each of the Teesta V hydropower station in April 2008 and to the full year operation of the first 170 MW unit of Teesta V commissioned in March 2008. In addition, our depreciation expenses were impacted by the full year operation of the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008. As a percentage of our total income, depreciation decreased from 16.88% in Fiscal 2008 to 16.20% in Fiscal 2009.

Interest and Finance Charges

Interest and finance charges increased by 21.70% to Rs. 776.01 crore in Fiscal 2009 from Rs. 637.66 crore in Fiscal 2008. This figure increased primarily due to interest charged on loans taken for the two additional units of 170 MW each of the Teesta V hydropower station commissioned in April 2008, the first 170 MW unit of Teesta V commissioned in March 2008 and the Omkareshwar hydropower station commissioned by NHDC during Fiscal 2008. Prior to commissioning, such interest charges were capitalised and after commissioning these payments are treated as an interest expense.

Provisions

Our provisions increased by 495.32% to Rs. 125.91 crore in Fiscal 2009 from Rs. 21.15 crore in Fiscal 2008. This increase was mainly due to a Rs. 120.81 crore provision made for bad and doubtful debts relating to the unsettled debts of Delhi Transco Limited (formerly known as Delhi Electric Supply Undertaking).

Expenditure on Contracts, Project Management and Consultancy Work

Our expenditure on contracts, project management and consultancy work increased by 79.41% to Rs. 61.16 crore in Fiscal 2009 from Rs. 34.09 crore in Fiscal 2008. This increase was primarily attributable to provisioning for retrospective salary payments to our contract, project management and consultancy employees.

Profit Before Tax, Extraordinary Items and Minority Interest

Due to the reasons outlined above, our profit before tax, extraordinary items and minority interest increased by 2.82% to Rs. 1,529.35 crore in Fiscal 2009 from Rs. 1,487.41 crore in Fiscal 2008.

Provision for Tax

In Fiscal 2009, we provided for Rs. 167.79 crore for tax compared to Rs. 168.51 crore in Fiscal 2008.

Extraordinary Items Net of Taxes

In Fiscal 2009, we accounted for extraordinary items of Rs. 33.27 crore net of tax. This related to income from the transfer of the Lower Siang hydroelectric project to a third party pursuant to an order of the government of Arunachal Pradesh and the GoI.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 150.68 crore for Fiscal 2009, a decrease of 4.61% from Rs. 157.97 crore for Fiscal 2008.

Restated Net Profit after Minority Interest

As a result of the foregoing factors, our restated net profit increased by 3.07% to Rs. 1,244.15 crore in Fiscal 2009 from Rs. 1,207.04 crore in Fiscal 2008. As a percentage of total income, our net profit decreased to 30.71% in Fiscal 2009 from 36.34% in Fiscal 2008.

Comparison of Fiscal 2008 to Fiscal 2007

In Fiscal 2008, we sold 16,181.29 MUs of electricity from commercial capacity of 4,794.20 MW and in Fiscal 2007 we sold 13,874.58 MUs from commercial capacity of 3,714.20 MW. This represents an increase of 16.63% in the number of units sold. Our average selling price was Rs. 1.79 per unit in Fiscal 2008, compared to Rs. 1.62 per unit in Fiscal 2007. Our Company's average capacity index in Fiscal 2008 was 96.13% compared to 94.11% in Fiscal 2007.

Income

(Rs. in crore)

Income	Fiscal 2008	Fiscal 2007
Operating Income	3,140.07	2,503.32
Other Income	181.56	76.63
Total Income	**3,321.63**	**2,579.95**

Our total income increased by 28.75% to Rs. 3,321.63 crore in Fiscal 2008 from Rs. 2,579.95 crore in Fiscal 2007, primarily due to commissioning of three new hydropower stations. We also earned income from contract and consultancy projects during Fiscal 2008.

Sales of Energy (Net)

Net sales of energy increased by 28.76% to Rs. 2,891.79 crore in Fiscal 2008 from Rs. 2,245.94 crore in Fiscal 2007. This net increase of Rs. 645.85 crore was mainly due to the commissioning of the Dulhasti, one unit of 170 MW in Teesta V and Omkareshwar power stations.

Revenue from Contracts, Project Management and Consultancy Works

Our income from contracts project management and consultancy works was Rs. 39.06 crore in Fiscal 2008, an increase of 67.71% over our contracts and consultancy income of Rs. 23.29 crore in Fiscal 2007. Our income from contracts, project management and consultancy works increased in Fiscal 2008 mainly due to execution of work on road projects that accounted for Rs. 6.77 crore and rural electrification projects that accounted for Rs. 15.29 crore.

Interest on Power Bonds and Long Term Advances

Our income from interest on power bonds and long term advances was Rs. 209.22 crore in Fiscal 2008, resulting in a decrease of 10.62% from Rs. 234.09 crore in Fiscal 2007. This decrease was mainly on account of redemption of power bonds and long term advances.

Other Income

Our other income was Rs. 181.56 crore in Fiscal 2008, an increase of 136.93% over our other income of Rs. 76.63 crore in Fiscal 2007.

Income from interest earned on our term deposit accounts and advances amounting to Rs. 109.54 crore contributed to the increase in other income in Fiscal 2008.

In addition, we received Rs. 44.46 crore as income from SEBs and SEB successor entities, which comprised the overdue amounts outstanding as of March 26, 2008 from customers in the state of Madhya Pradesh and which were securitised for the amount of Rs. 448.25 crore against outstanding principal dues.

Expenditure

(Rs. in crore)

Expenditure	Fiscal 2008	Fiscal 2007
Generation, Administration and Other Expenses	232.55	168.87
Employees' Remuneration and Benefits	348.03	258.85
Depreciation	560.74	368.66
Interest and Finance Charges	637.66	361.52
Provisions	21.15	30.37
Expenditure on Contracts, Project Management and Consultancy Work	34.09	25.26
Total Expenditure	**1,834.22**	**1,213.53**

Our total expenditure increased by 51.15% to Rs. 1,834.22 crore in Fiscal 2008 from Rs. 1,213.53 crore in Fiscal 2007. Our total expenditures as a percentage of our total income was 55.22% in Fiscal 2008 compared to 47.04% in Fiscal 2007. This increase was primarily due to sale of power from the Dulhasti power station at a provisional rate of Rs. 3 per unit whereas the related expenditure was accounted for on an actual basis. Another major expense was the provision for wage revisions in connection with the Sixth Pay Commission report in respect of central government employees and the Pay Committee report for IDA employees. Further, provisions relating to the hedging of our foreign currency exposure and major repairs in connection with the Tanakpur power station contributed to our total expenditure for Fiscal 2008.

Generation, Administration and Other Expenses

Our generation, administration and other expenses increased by 37.71% to Rs. 232.55 crore in Fiscal 2008 from Rs. 168.87 crore in Fiscal 2007. These expenses increased due to the commissioning of the Dulhasti, one unit of 170 MW in Teesta V and Omkareshwar projects in Fiscal 2008 and the Rs. 12.00 crore expenditure on major repairs of the power channel in connection with the Tanakpur power station.

Employees' Remuneration and Other Benefits

We had 12,908 employees on our payroll as of March 31, 2008, compared to 13,391 employees as of March 31, 2007. Of this, 5,099 and 4,750 employees, respectively, were engaged in operation and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees increased by 34.45% to Rs. 348.03 crore in Fiscal 2008 from Rs. 258.85 crore in Fiscal 2007.

The additional hydropower projects commissioned in Fiscal 2008 contributed to an increase in employee costs by Rs. 50.06 crore, and the balance of Rs. 39.12 crore was on account of typical yearly wage increases, wage revision and provisions to employee benefits on an actuarial valuation basis. As a percentage of total income, employees' remuneration and other benefits increased from 10.03% in Fiscal 2007 to 10.48% in Fiscal 2008.

Depreciation

Our depreciation costs increased by 52.10% to Rs. 560.74 crore in Fiscal 2008 from Rs. 368.66 crore in Fiscal 2007. Our depreciation expense increased primarily due to the commissioning of the three additional hydropower projects in Fiscal 2008. As a percentage of our income, depreciation increased from 14.29% in Fiscal 2007 to 16.88% in Fiscal 2008.

Interest and Finance Charges

Interest and finance charges increased by 76.38% to Rs. 637.66 crore in Fiscal 2008 from Rs. 361.52 crore in Fiscal 2007. This figure increased primarily due to an increase in interest charged on loans taken for the additional hydropower projects commissioned in Fiscal 2008. Prior to commissioning, such interest charges were capitalised and after commissioning these payments are treated as an interest expense. Further, pursuant to an announcement made by the Institute of Chartered Accountants of India requiring us to provide for losses as of the date of the balance sheet relating to derivative exposure, we have made a provision, on the basis of mark to market valuation, of Rs. 23.00 crore in Fiscal 2008 concerning hedging transactions entered into in Fiscal 2004 in respect of our foreign currency loan of JPY 534.70 crore.

Provisions

Our provisions decreased by 30.36% to Rs. 21.15 crore in Fiscal 2008 from Rs. 30.37 crore in Fiscal 2007. In Fiscal 2007 we had provided for expenses of Rs. 8.87 crore incurred in the Devade and Bav II projects. These projects were abandoned in Fiscal 2007 resulting in lower levels of provisioning in Fiscal 2008.

Expenditure on Contracts, Project Management and Consultancy Work

Our expenditure on contracts, project management and consultancy work increased by 34.96% to Rs. 34.09 crore in Fiscal 2008 from Rs. 25.26 crore in Fiscal 2007. This increase was in line with the increase in income from contracts, project management and consultancy work.

Profit Before Tax, Extraordinary Items and Minority Interest

Due to the reasons outlined above, our profit before tax, extraordinary items and minority interest increased by 8.85% to Rs. 1,487.41 crore in Fiscal 2008 from Rs. 1,366.42 crore in Fiscal 2007.

Provision for Tax

In Fiscal 2008, we provided for Rs. 168.51 crore for tax compared to Rs. 197.20 crore in Fiscal

2007. The decrease was the net impact of a decrease in advance against depreciation, which is added back to profit before tax for the purposes of calculating MAT, along with an increase in tax rate and FBT.

Extraordinary Items Net of Taxes

In Fiscal 2008, we accounted for extraordinary items of Rs. 46.11 crore net of tax. This related to income from the transfer of the Siyom hydroelectric project to a third party pursuant to an order of the government of Arunachal Pradesh and the GoI.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 157.97 crore for Fiscal 2008, an increase of 31.51% from Rs. 120.12 crore for Fiscal 2007.

Restated Net Profit after minority interest

As a result of the foregoing factors, our restated net profit increased by 15.05% to Rs. 1,207.04 crore in Fiscal 2008 from Rs. 1,049.10 crore in Fiscal 2007. As a percentage of total income, our net profit decreased from 40.66% in Fiscal 2007 to 36.34% in Fiscal 2008.

Comparison of Fiscal 2007 to Fiscal 2006

In Fiscal 2007, we sold 13,874.58 MUs of electricity from commercial capacity of 3,714.20 MW and in Fiscal 2006, we sold 13,343.21 MUs from commercial capacity of 3,729.20 MW. This represents an increase of 3.98% in the number of units sold. Our average selling price was Rs. 1.62 per unit in Fiscal 2007, compared to Rs. 1.52 per unit in Fiscal 2006. Our Company's average capacity index was 94.11% in Fiscal 2007 compared to 98.16% in Fiscal 2006.

Income

(Rs. in crore)

Income	Fiscal 2007	Fiscal 2006
Operating Income	2,503.32	2,293.92
Other Income	76.63	58.95
Total Income	**2,579.95**	**2,352.87**

Our total income increased by 9.65% to Rs. 2,579.95 crore in Fiscal 2007 from Rs. 2,352.87 crore in Fiscal 2006, mainly on account of increase in sales of energy due to the operation of the Dhauliganga power station for a full year. We also earned income from contract and consultancy projects during Fiscal 2007.

Sales of Energy (Net)

Our net sales increased by 10.54% to Rs. 2,245.94 crore in Fiscal 2007 from Rs. 2,031.75 crore in Fiscal 2006. This increase was primarily as a result of the operation of the Dhauliganga hydropower station for the full Fiscal year.

Revenue from Contracts, Project Management and Consultancy Works

Our income from contracts and consultancy was Rs. 23.29 crore in Fiscal 2007, an increase of 2.92% over our contracts and consultancy income of Rs. 22.63 crore in Fiscal 2006. Our income from contracts and consultancy projects increased in Fiscal 2007 mainly due to execution of work on road and rural electrification projects.

Interest on Power Bonds and Long Term Advances

Our income from interest on power bonds and long term advances was Rs. 234.09 crore in Fiscal 2007, a decrease of 2.28% from Rs. 239.54 crore in Fiscal 2006. The lower interest received in Fiscal 2006 was on account of redemption of power bonds amounting to Rs. 256.44 crore in Fiscal 2007.

Other Income

Our other income was Rs. 76.63 crore in Fiscal 2007, an increase of 29.99% from Rs. 58.95 crore in Fiscal 2006. Income from interest earned on term deposits and advances mainly contributed to the increase in other income in Fiscal 2007.

Expenditure

(Rs. in crore)

Expenditure	Fiscal 2007	Fiscal 2006
Generation, Administration and Other Expenses	168.87	188.93
Employees' Remuneration and Benefits	258.85	216.10
Depreciation	368.66	344.14
Interest and Finance Charges	361.52	412.79
Provisions	30.37	22.53
Expenditure on Contracts, Project Management and Consultancy Work	25.26	25.26
Incentive to Beneficiary States	-	75.48
Total Expenditure	**1,213.53**	**1,285.23**

Our total expenditure decreased by 5.58% to Rs. 1,213.53 crore in Fiscal 2007 from Rs. 1,285.23 crore in Fiscal 2006. Our total expenditures as a percentage of our total income was 47.04% in Fiscal 2007 compared to 54.62% in Fiscal 2006. This was mainly due to an increase in expenses in connection with our Dhauliganga project resulting from its first full year of operation, which was offset by project expenses of Rs. 53.76 crore written-off due the abandonment of the Koel Karo and Bav I projects after they were both deemed to be unviable in Fiscal 2006.

Generation, Administration and Other Expenses

Our generation, administration and other expenses decreased by 10.62% to Rs. 168.87 crore in Fiscal 2007 from Rs. 188.93 crore in Fiscal 2006. This was mainly due to an increase in expenses in connection with our Dhauliganga project resulting from its first full year of operation, which was offset by project expenses of Rs. 53.76 crore written-off due the abandonment of the Koel Karo and Bav I projects in Fiscal 2006.

Employees' Remuneration and Other Benefits

We had 13,414 employees on our payroll as of March 31, 2007, compared to 13,804 employees as of March 31, 2006. Of this, 4,750 and 4,540 employees, respectively, were engaged in operation and maintenance areas of our business. Employees' remuneration and other benefits for our operation and maintenance employees increased by 19.78% to Rs. 258.85 crore in Fiscal 2007 from Rs. 216.10 crore in Fiscal 2006. This increase was primarily due to the full year operation of the Dhauliganga project, which increased employee remuneration expenditure by Rs. 12.41 crore.

Additionally, we incurred further expenses of Rs. 30.34 crore on account of modification of the pay structure of executives and for routine increases in employee remuneration.

Depreciation

Our depreciation increased by 7.13% to Rs. 368.66 crore in Fiscal 2007 from Rs. 344.14 crore in Fiscal 2006. This was due to the operation of the Dhauliganga power station for the full Fiscal year.

Interest and Finance Charges

Interest and finance charges decreased by 12.42% to Rs. 361.52 crore in Fiscal 2007 from Rs. 412.79 crore in Fiscal 2006. This decrease is the net effect of the full repayment of a number of general purpose loans as well as renegotiation of the interest rate on certain project specific loans and the payment of interest upon the operation of the Dhauliganga power station for the full Fiscal year. Prior to commissioning, such interest charges were capitalised and after commissioning these payments are treated as an interest expense.

Provisions

Our provisions increased by 34.80% to Rs. 30.37 crore in Fiscal 2007 from Rs. 22.53 crore in Fiscal 2006. The primary reason for the increase in the level of provisioning in Fiscal 2007 was a Rs. 8.87 crore provision made prior to approval of the write-off of expenses incurred in respect of the Bav II and Devade power projects after they were both deemed to be unviable in Fiscal 2007.

Expenditure on Contracts, Project Management and Consultancy Work

Our expenditure on contracts, project management and consultancy work remained unchanged at Rs. 25.26 crore in Fiscal 2007.

Incentives to Beneficiary States

During Fiscal 2006 we provided for incentives of Rs. 75.48 crore to SEBs in order to comply with the terms of the One Time Settlement. Pursuant to this scheme, we are no longer required to pay these incentives with effect from April 1, 2006.

Profit Before Tax, Extraordinary Items and Minority Interest

Due to reasons mentioned above, our profit before tax, extraordinary items and minority interest increased by 27.99% to Rs. 1,366.42 crore in Fiscal 2007 from Rs. 1,067.64 crore in Fiscal 2006.

Provision for Tax

In Fiscal 2007, we provided for Rs. 197.20 crore for tax compared to Rs. 75.92 crore in Fiscal 2006, an increase of 159.75%. The increase was primarily due to an increase in our effective rate of taxation from 8.42% to 11.22%, an increase in profit before tax and an increase in advance against depreciation, which is added back to profit before tax for the purposes of calculating MAT.

Minority Interest

Minority interest of outside shareholders in our consolidated Subsidiary was Rs. 120.12 crore for Fiscal 2007, a decrease of 5.46% from Rs. 127.06 crore for Fiscal 2006.

Restated Net Profit

As a result of the foregoing factors, our net profit increased by 21.33% to Rs. 1,049.10 crore in Fiscal 2007 from Rs. 864.66 crore in Fiscal 2006. As a percentage of total income, our net profit increased to 40.66% in Fiscal 2007 from 36.75% in Fiscal 2006.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We depend on both internal and external sources of liquidity to provide working capital and to fund capital requirements. We have traditionally funded our capital expenditures with internally generated funds, equity contributions by the GoI and debt financing. We generally enter into long term borrowings in the form of term loans or issue bonds, which may be in Indian Rupees or foreign currencies. We had cash and cash equivalents of Rs. 2,606.08 crore, Rs. 2,345.87 crore, Rs. 816.29 crore and Rs. 892.78 crore as of March 31, 2009, 2008, 2007 and 2006, respectively. As of March 31, 2009, we also had a committed undrawn credit facility of approximately Rs. 6,918.63 crore.

Cash Flows

(Rs. in crore)

	Year ended March 31,			
	2009	**2008**	**2007**	**2006**
Net cash flow from operating activities	3,356.53	3,208.97	2,035.69	1,999.41
Net cash flow from (used in) investment activities	(2,996.29)	(2,753.94)	(2,923.65)	(2,657.66)
Net cash flow from (used in) financing activities	(100.03)	1,074.55	811.47	577.48
Net cash and cash equivalents at the end of the year	**2,606.08**	**2,345.87**	**816.29**	**892.78**

Net Cash from Operations

Our net cash from operating activities was Rs. 3,356.53 crore in Fiscal 2009. We had net profit before tax and after extraordinary items of Rs. 1,562.62 crore based on our restated accounts. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 661.73 crore, interest excluding rebate of Rs. 737.97 crore and Rs. 106.71 crore in deferred revenue on account of tariff adjustment/advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact were comprised mainly of an increase in working capital of Rs. 282.08 crore, consisting of the net effect of an decrease in trade and other payables, a decrease in receivables, a decrease in contract work in progress and an increase in inventories.

Our net cash from operating activities was Rs. 3,208.97 crore in Fiscal 2008. We had net profit before tax and after extraordinary items of Rs. 1,533.52 crore based on our restated accounts. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 563.66 crore as well as interest excluding rebate of Rs. 608.12 crore and Rs. 72.80 crore in deferred revenue on account of tariff adjustment/advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of a increase in working capital of Rs. 666.92 crore, consisting of the net effect of a significant decrease in trade and other payables, offset by an increase in receivables totalling Rs. 426.35 crore, an increase in contract work in progress and an increase in inventories.

Our net cash from operating activities was Rs. 2,035.69 crore in Fiscal 2007. We had net profit before tax and extraordinary items of Rs. 1,366.42 crore based on our restated balance sheet and adjusted profit. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 369.81 crore as well as interest excluding rebate of Rs. 338.91 crore and Rs. 189.33 crore in deferred revenue on account of Tariff adjustment/advance against depreciation. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of a decrease in working capital of Rs. 42.98 crore, consisting of the net effect of a decrease in trade and other payables, a significant increase in receivables, an increase in contract work in progress and an increase in inventories.

Net Cash from Investing Activities

Our net cash used in investing activities was Rs. 2,996.29 crore in Fiscal 2009. This reflected expenditure on fixed assets of Rs. 3,255.54 crore offset by a small amount from the sale proceeds from the disposal of fixed assets, investments and dividend income.

Our net cash used in investing activities was Rs. 2,753.94 crore in Fiscal 2008. This reflected expenditure on fixed assets of Rs. 3,134.75 crore offset by sale proceeds from the disposal of fixed assets, investments and dividend income.

Our net cash used in investing activities was Rs. 2,923.65 crore in Fiscal 2007. This reflected expenditure on fixed assets of Rs. 3,182.04 crore offset by sale proceeds from the disposal of fixed assets, investments and dividend income.

Net Cash from Financing Activities

In Fiscal 2009, our net cash used in financing activities was Rs. 100.03 crore. We raised Rs. 4,792.48 crore of new borrowings, consisting principally of domestic term loans of Rs. 4,767.02 crore and Rs. 25.46 crore of foreign borrowings. Although we planned to raise further new borrowings in Fiscal 2009, this was impacted by the fact we are required, pursuant to the Transfer of Property Act, 1882, to obtain clearance from state governments prior to using land that was previously government land, but which has been transferred to us, as security for loans. Such clearance is generally granted as a matter of course but was delayed due to administrative reasons beyond our control at state government level. We received a capital grant from the government of Madhya Pradesh of Rs. 11.38 crore in respect of our Subsidiary towards fixed assets. We repaid Rs. 3,440.41 crore and paid interest and finance charges of Rs. 1,026.56 crore. In Fiscal 2009, we paid final dividends of Rs. 436.92 crore.

In Fiscal 2008, our net cash flow from financing activities was Rs. 1,074.55 crore. We raised Rs. 2,677.64 crore of new borrowings, consisting principally of domestic term loans of Rs. 2,638.16 crore and Rs. 39.48 crore of foreign borrowings. We also received a capital grant from the government of Madhya Pradesh of Rs. 71.20 crore in respect of our consolidated Subsidiary towards fixed assets. We repaid Rs. 492.05 crore and paid interest and finance charges of Rs. 779.26 crore. In Fiscal 2008, we paid final dividends of Rs. 402.98 crore.

In Fiscal 2007, our net cash flow from financing activities was Rs. 811.47 crore. We raised Rs. 2,217.90 crore of new borrowings, consisting principally of domestic term loans of Rs. 2,175.10 crore and Rs. 42.80 crore of foreign borrowings. We received Rs. 645.88 crore from the GoI towards share capital and also received a capital grant from the government of Madhya Pradesh of Rs. 45.33 crore in respect of our consolidated Subsidiary towards fixed assets. We repaid Rs. 1,187.04 crore and paid interest and finance charges of Rs. 633.83 crore. In Fiscal 2007, we paid final dividends of Rs. 276.77 crore.

Assets

(Rs. in crore)

	As of March 31,			
	2009	**2008**	**2007**	**2006**
Fixed assets	34,134.83	30,788.52	28,046.00	24,956.03
Investments	1,791.19	2,046.79	2,320.33	2,576.77
Interest Accrued on Investments	80.99	91.89	103.52	113.83
Inventories	41.51	39.68	47.11	52.47
Contract Work-in-Progress	19.55	75.19	42.20	36.35
Sundry Debtors	763.64	886.46	892.64	575.35
Cash and Bank Balances	2,606.08	2,345.87	816.29	892.78
Other Current Assets	430.27	235.10	184.43	157.24
Loans and Advances	1,285.32	789.70	463.49	422.77
Total assets	**41,153.38**	**37,299.20**	**32,916.01**	**29,783.59**

Net Fixed Assets

Our total fixed assets after depreciation, defined as net fixed assets, were Rs. 23,706.18 crore, Rs. 23,525.37 crore, Rs. 13,914.32 crore and 14,042.71 crore as of March 31, 2009, 2008, 2007 and 2006, respectively. Our fixed assets consist of land, dams, tunnels, buildings, including power house buildings, plant and machinery, which is classified as generating plant and machinery and construction plant and machinery, office equipment, computers and intangible assets, such as software, furniture and fixtures and motor vehicles.

Net fixed asset value increased by 0.77% in Fiscal 2009 as compared to Fiscal 2008, increased by 69.07% in Fiscal 2008 as compared to Fiscal 2007 and decreased by 0.91% in Fiscal 2007 as compared to Fiscal 2006. Our net fixed assets have increased significantly from Fiscal 2006 to Fiscal 2009, since we have constructed a number of new projects, namely Indira Sagar, Dhauliganga, Dulhasti, Omkareshwar and Teesta V, along with the completion of certain infrastructure facilities in connection with projects under construction. Specifically, the increase in our net fixed assets between Fiscal 2007 and Fiscal 2008 was primarily due to capitalisation of Dulhasti, Omkareshwar and Teesta V power stations, which were commissioned in Fiscal 2008.

Investments

Investments are intended for long term and carried at cost. Our total investment was Rs. 1,791.19 crore, Rs. 2,046.79 crore, Rs. 2,320.33 crore and Rs. 2,576.77 crore, respectively, as of March 31, 2009, 2008, 2007 and 2006. We have invested in the equity shares of two listed companies, Indian Overseas Bank Limited and PTC India Limited. Our investment in these two entities amounted to Rs. 12.36 crore as of each of March 31, 2009, 2008, 2007 and 2006.

Bonds received pursuant to the One Time Settlement are also accounted for as investments. As of March 31, 2009, 2008, 2007 and 2006, these investments amounted to Rs. 1,778.00 crore, Rs. 2,034.43 crore, Rs. 2,307.97 crore and Rs. 2,564.41 crore, respectively. These figures show our investments on a restated basis, and thus the investments were deemed to have been received from the date of issue of the bonds, which is October 1, 2001. The decrease in our total investment between Fiscal 2006 and Fiscal 2009 was due to redemption of such bonds in those Fiscal periods.

Interest Accrued on Investments

Interest accrued on investments was valued at Rs. 80.99 crore, Rs. 91.89 crore, Rs. 103.52 crore and Rs. 113.83 crore as of March 31, 2009, 2008, 2007 and 2006, respectively.

Our interest accrued on investments decreased by 11.86% in Fiscal 2009 as compared to Fiscal 2008, by 11.23% in Fiscal 2008 as compared to Fiscal 2007 and by 9.06% in Fiscal 2007 as compared to Fiscal 2006. These decreases are mainly due to redemption of bonds received pursuant to the One Time Settlement.

Inventories

Inventories are valued at cost after providing for obsolescence. Work-in-progress is valued at cost including related overheads. Our management has valued our inventories based on the physical verification of stock. Our inventories were valued at Rs. 41.51 crore, Rs. 39.68 crore, Rs. 47.11 crore and Rs. 52.47 crore as of March 31, 2009, 2008, 2007 and 2006, respectively. The major portion of our inventories consists of spares for construction plant and machinery and generating plant and machinery.

Our inventories increased by 4.61% in Fiscal 2009 as compared to Fiscal 2008, decreased by 15.77% in Fiscal 2008 as compared to Fiscal 2007 and decreased by 10.22% in Fiscal 2007 as compared to Fiscal 2006.

Contract Work-in-Progress

Our contract works-in-progress as of March 31, 2009, 2008, 2007 and 2006 were Rs. 19.55 crore, Rs. 75.19 crore, Rs. 42.20 crore and Rs. 36.35 crore, respectively.

Our contract works in progress steadily increased from Fiscal 2006 to Fiscal 2008. This was due to the execution of work in respect of our construction contracts pursuant to the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure. The decrease in contracts works in progress in Fiscal 2009 was due to the completion of the Sippi Small Hydroelectric Project, a construction project in Arunachal Pradesh and the offsetting of advances received from this work.

Sundry Debtors

Sundry debtors consist of receivables relating to sale of electricity. The sundry debtors as of March 31, 2009, 2008, 2007 and 2006 were Rs. 763.64 crore, Rs. 886.46 crore, Rs. 892.64 crore and Rs.575.35 crore, respectively. The significant increase in sundry debtors between Fiscal 2006 and Fiscal 2007 is mainly due to retrospective booking of sales in respect of the Indira Sagar power station which were originally billed at a provisional tariff rate that was lower than the actual rate.

Sundry debtors decreased by 13.86% in Fiscal 2009 as compared to Fiscal 2008, by 0.69% in Fiscal 2008 as compared to Fiscal 2007 and increased by 55.15% in Fiscal 2007 as compared to Fiscal 2006.

Loans and Advances

Our total loans and advances as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 1,285.32 crore, Rs. 789.70 crore, Rs. 463.49 crore and Rs. 422.77 crore. Loans and advances include advance income tax, advances to our employees, contractors and suppliers.

Loans and advances increased by 62.76% in Fiscal 2009 as compared to Fiscal 2008, by 70.38% in Fiscal 2008 as compared to Fiscal 2007 and by 9.63% in Fiscal 2007 as compared to Fiscal 2006. The increase between Fiscal 2008 and Fiscal 2009 was on account of advances to contractors in Fiscal 2009 and foreign exchange rate variation receivable on an accrual basis. The increase in loans and advances between Fiscal 2007 and Fiscal 2008 was on account of foreign exchange rate variation receivable on an accrual basis and advances of Rs. 225 crore to the government of Arunachal Pradesh in consideration of the MoA for the Dibhang Multipurpose project and the Tawang basin project in Fiscal 2008.

Cash and Bank Balances

Our cash and bank balances as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 2,606.08 crore, Rs. 2,345.87 crore, Rs. 816.29 crore and Rs. 892.78 crore.

Our cash and bank balances consist of (i) cash surplus as of the balance sheet date in our current account and short term deposits and (ii) the unspent advances received from government entities in respect of costs associated with the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure.

Other Current Assets

Our other current assets for as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 430.27 crore, Rs. 235.10 crore, Rs. 184.43 crore and Rs. 157.24 crore. Other current assets increased by 83.02% in Fiscal 2009 as compared to Fiscal 2008, by 27.47% in Fiscal 2008 as compared to Fiscal 2007 and by 17.29% in Fiscal 2007 as compared to Fiscal 2006. The increase in our current assets in Fiscal 2009 compared to Fiscal 2008 was on account of claims recovered from other agencies and interest accrued on deposits. The increase in other current assets in Fiscal 2008 compared to Fiscal 2007 was on account of claims recoverable against other agencies, interest accrued on an advance of Rs. 225 crore to the government of Arunachal Pradesh and interest accrued on deposits.

Liabilities and Provisions

(Rs. in crore)

	As of March 31,			
	2009	**2008**	**2007**	**2006**
Secured Loans	10,723.45	9,902.65	7,562.63	6,138.24
Unsecured Loans	4,207.52	2,952.84	2,909.16	3,343.19
Income Received on Account of Advance against Depreciation	1,424.52	1,318.79	1,245.98	1,049.49
Current Liabilities & Provisions	3,740.62	3,052.75	2,165.21	1,709.91
Minority Interest	1,466.71	1,364.48	1,239.90	1,130.19
Total liabilities and Provisions	**21,562.82**	**18,591.51**	**15,122.88**	**13,371.02**

Secured Loans

Our secured loans for as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 10,723.45 crore, Rs. 9,902.65 crore, Rs. 7,562.63 crore and Rs. 6,138.24 crore. Secured loans include borrowings from domestic banks and financial institutions along with corporate bonds raised in the capital markets that are secured against assets of the company. Due to increased investment in new projects during the last four years, our borrowings have increased proportionately. Specifically, the increase in our secured borrowings from Fiscal 2007 to Fiscal 2008 is due to the draw down of secured loans from LIC and PFC in this Fiscal period.

Secured loans increased by 8.29% in Fiscal 2009 as compared to Fiscal 2008, by 30.94% in Fiscal 2008 as compared to Fiscal 2007 and by 23.21% in Fiscal 2007 as compared to Fiscal 2006. The small growth in secured loans in Fiscal 2009 were impacted by delays beyond our control in obtaining clearance from state governments prior to using land that was previously government land but which had been transferred to us, as security for loans under the Transfer of Property Act, 1882. These clearances are typically received in the ordinary course. However, these delays meant that we raised a relatively small amount of our loans which were secured and we had a corresponding increase in unsecured and short term loans in Fiscal 2009.

Unsecured Loans

Our unsecured loans as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 4,207.52 crore, Rs. 2,952.84 crore, Rs. 2,909.16 crore and Rs. 3,343.19 crore. Unsecured loans include borrowings from domestic and foreign banks and financial institutions that have not been secured by any assets of the Company.

Unsecured loans increased by 42.49% in Fiscal 2009 as compared to Fiscal 2008, by 1.50% in Fiscal 2008 as compared to Fiscal 2007 and decreased by 12.98% in Fiscal 2007 as compared to Fiscal 2006. This increase was mainly due to new borrowings of Rs. 1,045.33 crore including Rs. 800 crore of short term borrowings in Fiscal 2009 and the impact of foreign exchange rate variation amounting to Rs. 717.31 crore. This increase was partially offset by repayments of Rs. 507.96 crore during Fiscal 2009.

Income Received on Account of Advance against Depreciation

Our income received on account of advance against depreciation as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 1,424.52 crore, Rs. 1,318.79 crore, Rs. 1,245.98 crore and Rs. 1,049.49 crore. Income received on account of advance against depreciation is given as a component of tariff in the initial years of the operation of a station to facilitate the repayment of loans in respect of that station. Advance against depreciation is reduced from sales and considered as deferred income to be included in sales in subsequent years. Advances against depreciation are impacted by the amount of loans repaid in respect of each power station.

Current Liabilities and provisions

Our current liabilities and provisions as of March 31, 2009, 2008, 2007 and 2006, respectively, were Rs. 3,740.62 crore, Rs. 3,052.75 crore, Rs. 2,165.21 crore and Rs. 1,709.91 crore. Our current liabilities and provisions include sundry creditors, advances from contractees, security deposits, retention money withheld by us and other liabilities.

Current liabilities and provisions increased by 22.53% in Fiscal 2009 as compared to Fiscal 2008, by 40.99% in Fiscal 2008 as compared to Fiscal 2007 and by 26.63% in Fiscal 2007 as compared to Fiscal 2006. These fluctuations are mainly due to changes in provisions for actuarial valuation of retirement benefits due to variations in the age profile of our employees and wage revision, committed capital expenditure and advances received against works performed in respect of the Pradhan Mantri Gram Sadak Yojna scheme in connection with the development of rural roads and the Rajiv Gandhi Grameen Vidyutikaran Yojana scheme relating to the establishment of rural electrification infrastructure.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our consolidated contingent liabilities as of Fiscal 2009, 2008, 2007 and 2006.

(Rs. in crore)

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Claims against the Company not acknowledged as debts in respect of:				
Capital Works	4,059.23	3,328.53	1,929.42	1,354.20
Land Compensation Cases	1,839.09	1,892.90	1,856.86	1,686.00
Other	411.33	354.44	354.12	488.58
Disputed Income Tax Demand, Excise and Sales Tax	2,062.41	2,045.53	2,055.53	2,090.19
Total	**8,372.06**	**7,621.40**	**6,195.93**	**5,618.97**

Contingent liabilities increased from Rs. 5,618.97 crore as of March 31, 2006, to Rs. 6,195.93 crore as of March 31, 2007, to Rs. 7,621.40 crore as of March 31, 2008 and further to Rs. 8,372.06 crore as at March 31, 2009. The main reason for the increase in contingent liabilities in Fiscal 2009 was on account of claims in respect of capital works in respect of the Teesta V and Parbati II hydroelectric projects.

Capital Expenditures

Our capital expenditures are primarily for installation of new capacity and expansion of existing capacity. Our consolidated capital expenditures in Fiscal 2009, 2008, 2007 and 2006 were Rs. 4,076.22 crore, Rs. 3,302.47 crore, Rs. 3,516.77 crore and Rs. 2,746.53 crore, respectively. In Fiscal 2009, GoI approved a budget estimate of Rs. 4,668.00 crore for the Company for Fiscal 2010 and approved a budget of Rs. 27.08 crore for our Subsidiary for Fiscal 2010. We expect that this capital expenditure will be used mainly for our ongoing projects. Although our capital expenditure budgets for Fiscal 2011 and 2012 are not yet determined, they may be significantly higher than for Fiscal 2010 due to our planned expansion.

For a further discussion of our planned additions to our installed capacity, see ***"Our Business - Our Strategy"*** on page 89. Our capital expenditure budgets are subject to modification as a result of a variety of factors, including availability of internal and external resources, changes to expansion plans and other factors.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist principally of the following, as of March 31, 2009, classified by maturity:

(Rs. in crore)

Payment by period	2009-10	2010-11	2011-12	2012-13	2013-14	Beyond 2014	Total
Long term debt	1,095.37	1,043.68	1,059.58	1,236.03	1,188.59	7,584.95	13,208.20

Currency Exchange Rates

While our principal revenues are in Rupees, we have borrowed funds from outside India in foreign currencies, primarily JPY, € and U.S.$. Principal and interest charges on these borrowings are denominated in the balance sheet in Rupees. As of March 31, 2009, we had Rs. 3,187.65 crore equivalent of foreign currency borrowings outstanding.

As of March 31, 2009, we have no hedging agreements in place in respect of any foreign currency loans.

Under the tariff regulations for Fiscal 2005-2009 and the tariff regulations for Fiscal 2009-2014, fluctuations in exchange rates for offshore borrowings are recoverable through our tariffs on a year-to-year basis on account of additional rupee liability in respect of interest and repayment of principal.

Interest Rates

Under the current tariff regulations, interest costs are recoverable through our tariffs. Recovery of interest is based on norms fixed by the CERC. The majority of our long term borrowings are fixed interest rate borrowings and therefore we do not hedge against interest rate fluctuations.

SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2009 THAT MAY AFFECT THE FUTURE OF OUR OPERATIONS

Since March 31, 2009, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future Fiscal periods:

- A tariff policy was issued by CERC pursuant to notification no. L-7/145(160)/2008-CERC dated January 19, 2009, and relates to the period from April 1, 2009 to March 31, 2014. For further information, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 281. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Our Results of Operations***" as well as "***Regulations and Policies in India***" on pages 282 and 119, respectively. This tariff policy will impact our revenue from sales of energy going forward, see ***"Risk Factors - The implementation of CERC's tariff regulations for the period from April 1, 2009 to March 31, 2014 may adversely affect our cash flow and results of operations"*** on page xxii.

- Pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the GoI has revised the pay scales of board members and executive officers of government enterprises, including our Company. These directives also require such government enterprises to implement salary increases for employees below executive level and these wage increases are to be determined by the boards and management of the relevant government enterprises. Salary increases for all affected government employees will be retrospectively effective from January 2007.

As of March 31, 2009, we have made total provisions of Rs. 413.86 crore for this retrospective salary payment. This provision has been based on our estimates taking into account the payment requirements outlined in the DPE memoranda. The increased employee cost may impact our financial condition in the years following implementation.

In addition, the Pay Committee has recommended that all public sector undertakings should formulate an ESOP and that 10% to 25% of the Performance Related Payment should be paid as ESOPs. The effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify. For further information, see "***Risk Factors – Recent announcements by the Government of India relating to increased wages for government employees will increase our expenses and may adversely affect our financial condition in the years of implementation***" on page xviii.

- NHDC has received a mandate from the Madhya Pradesh government to build a 1,000 MW thermal power plant at Khandwa in Madhya Pradesh pursuant to which NHDC has signed a MoU with the Government of Madhya Pradesh on June 29, 2009 for setting up a thermal power plant. The generation capacity of the thermal power plant is estimated at 1,320 MW.

- Complaints received from the Narmada Bachao Andolan

NBA has written three complaints dated September 12, 2008, September 16, 2008 and September 24, 2008 addressed to the Chairman, SEBI pointing out concealment of information relating to certain litigation filed by NBA pending against our Company and NHDC, in the DRHP filed with SEBI on August 6, 2008. Brief details of the allegations are set forth below:

(a) *NBA Complaint dated September 12, 2008*

NBA primarily contended that our Company and NHDC did not disclose certain material information relating to certain litigation filed by NBA against our Company and NHDC, in a deliberate attempt to mislead SEBI and investors. NBA noted that four special leave petitions (No. 935 of 2007, and Nos.7971, 8193 and 21386 of 2008) filed in the Supreme Court, two writ petitions (No. 4457 of 2007 and No.13919 of 2006) and two contempt petitions (Nos. CP 558 and 623 of 2008) filed in the High Court of Madhya Pradesh at Jabalpur had not been disclosed in the DRHP. NBA has filed these cases on allegations including that our Company and NHDC have failed to rehabilitate hundreds of displaced land oustees who were affected by the construction of the Indirasagar and Omkareshwar hydroelectric projects and that the acts of our Company and NHDC constitute a deliberate denial of the constitutional and legal rights of such oustees, including under our Company and NHDC's respective R&R policies. We replied to the NBA vide our letter dated September 18, 2008.

(b) *NBA complaint dated September 16, 2008*

NBA primarily alleged that our Company and NHDC had misrepresented and concealed material information on outstanding litigation involving our Company and NHDC and our respective directors, in the DRHP filed with SEBI in violation of Section 60B of the Companies Act and the SEBI Guidelines. NBA further mentioned details of the eight cases filed by them and also noted that certain ongoing contempt petitions against our Chairman and Managing Director, Mr. S.K. Garg and Mr. Pradeep Bhargava, director of NHDC were also not disclosed in the DRHP. NBA reiterated its contention that NHDC had not provided adequate R&R to affected families prior to their submergence caused by construction of the dams for the Indirasagar and Omkareshwar hydroelectric projects, and in certain cases, had not even acquired the land from the affected persons prior to submerging their land. NBA questioned the due diligence of the BRLMs and other persons responsible for the verification of facts in the DRHP, and requested a personal meeting with our Chairman and/or any members of our Board, to further set forth all the facts available on their records. This letter was forwarded to us by SEBI and received by us on September 18, 2008, subsequent to the response which we had already dispatched to the NBA's previous letter dated September 12, 2008.

(c) *NBA complaint dated September 24, 2008*

Upon receipt of our response dated September 18, 2008, NBA reiterated its contention that the DRHP filed by our Company supressed material facts and carried untruthful statements in relation to disclosures relating to outstanding litigation involving our Company, NHDC and the Directors of our Company, primarily on the grounds that the litigation disclosures in the DRHP omitted material information on certain cases against our Company, NHDC and its directors and wrongly disclosed cases in a consolidated manner. It was also stated that the declaration signed by our Directors and the Selling Shareholder on the last page of the DRHP was false and misleading. NBA also set forth that in the event the cases filed by them were decided in their favour, it would result in a material and adverse financial impact on our Company and NHDC and an additional outlay of several hundred crores would be required to be paid by our Company towards rehabilitation measures. Our Company replied to the NBA letters of September 16, 2008 and September 24, 2008, vide our response dated November 11, 2008.

Further to receipt of the above complaints, our Company has revised and disclosed all litigation filed by NBA separately under "***Outstanding Litigation and Material Developments- Land acquisition related Special Leave Petitions***", "***Outstanding Litigation and Material Developments- Land acquisition related Writ Petitions***", and " ***Outstanding Litigation and Material Developments- Litigation involving our Directors***" on pages 348, 348 and 354, respectively, in place of the previous consolidated and summarised disclosures and also disclosed litigation filed against our Directors and directors of NHDC separately. In addition, we have disclosed a separate risk factor to inform investors of the potential implication of litigation against NHDC to ensure that investors are aware of the financial impact on our Company and NHDC in the event these cases are held against us or NHDC. It may be noted that whilst NHDC has quantified the aggregate claim against it in the land acquisition and resettlement or rehabilitation related proceedings as being in excess of Rs. 1,844 crore, NHDC's actual liability in the event these cases are determined against it, and the total number of persons or villages affected, are not presently possible to quantify and if these cases are determined against NHDC, our liabilities may far exceed our current estimates which will have a material adverse effect on our business, financial condition and results of operation.

Prior to making an investment decision with respect to our Company, investors should read the above disclosure along with the risk factors pertaining to the above. Specific attention of the investors is invited to "***Risk Factors- Our Company and our Subsidiary are presently, and may in future, be subject to litigation, including public interest litigation, instituted in relation to environmental impact of our projects as well as acquisition of land for our projects and consequent displacement and rehabilitation of persons***" and ***"Risk Factors- The construction and operation of hydroelectric projects has faced opposition from local communities and other parties, including in the form of litigation instituted against our Company and Subsidiary and we may continue to face such opposition in the future"*** on pages xv and xviii, respectively.

Except as described in this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to materially and adversely affect, our business in the next 12 months.

Analysis of Certain Changes

Unusual or Infrequent events or transactions

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items and fixed assets in this section.

Significant economic changes

Since Fiscal 2003, a decline in interest rates and inflation has allowed us to restructure our loans to take advantage of the more attractive interest rate environment to reduce our borrowing costs. Furthermore, there has been a significant increase in funds available for loan financing in the Indian financial system, which lead to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing. These economic events have resulted in reduced interest cost to us during this period.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified in "***Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting our Results of Operations***" on page 282 and the uncertainties described in "***Risk Factors***" on page xiii. To our knowledge, except as we have described in this Red Herring Prospectus, there are no other known factors that we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between expenditure and revenues

Except as described in "***Risk Factors***", "***Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations***" on pages xiii, 87 and 281, respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Increase in our revenue

We currently have a number of projects that we anticipate will be commissioned over the forthcoming years that will add to our generation capacity and increase our revenues, as described in "***Our Business***" on page 87.

Significant regulatory changes

Except as described in ***"Regulations and Policies in India"*** on page 119, there have been no significant regulatory changes that could affect our income from continuing operations.

New products or business segments

We have no current plans to develop new products or establish any new business segments.

Seasonality of Business

Our generation depends on level of water in different periods during the year. During the Indian monsoon periods, from June to September, the generation is generally high as water is available for full capacity at our power stations.

Dependence on few customers

As described above in ***"-Revenues***", in Fiscal 2009 we derived Rs. 3,436.22 crore or 84.81% of our restated consolidated total income from the sale of energy to SEBs and their successor entities, pursuant to long term power purchase agreements. Our sales of electricity are made pursuant to long term PPAs, which run for an initial term of five years. The agreements are typically renewed or extended after the initial term expires. All our existing facilities have PPAs that cover 100% of their generating capacity. Although electricity generation capacity has increased significantly in recent years, the demand for electricity in India is still substantially higher than the available supply. As a result, we have not had difficulty entering into PPAs to cover our capacity and do not expect such difficulty in the near future.

Competitive conditions

We expect competition to increase in the power generation sector due to, among other things, the increase of new participants, as described in ***"Risk Factors"*** on page xiii.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding legal proceedings, including suits, criminal or civil prosecutions, statutory and other notices and taxation related proceedings against our Company, our Directors and our Subsidiary, that would have a material adverse effect on our business. Further, there are no defaults, non-payment of statutory dues including, institutional or bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company, our Directors and our Subsidiary.

Provided below are summaries of criminal cases, public interest litigations, environmental cases, regulatory cases and tax related proceedings against our Company. Further, all significant proceedings (civil cases and arbitration proceedings) involving our Company, i.e., all such proceedings involving claims exceeding a monetary value of approximately Rs. 0.25 crore are detailed below. In addition, details of land related litigation for enhancement of compensation and motor accident claims have been disclosed in a clubbed manner. Further, summaries of all significant labour cases against our Company have been disclosed.

1. Litigation against our Company:

A. CONTINGENT LIABILITIES NOT PROVIDED FOR AS OF MARCH 31, 2009 AS PER OUR RESTAED CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in crore)

Particulars	Amount
Claims against our Company not acknowledged as debts in respect of:	
Capital Works	4,059.23
Land Compensation Cases*	1,839.09
Other	411.33
Disputed Income Tax Demand, Excise and Sales Tax	2,062.41
Total	**8,372.06**

**Contingent liability in respect of our Subsidiary for land compensation cases pending in various courts has been taken to respective years to which such liability pertains.*

B. PENDING LITIGATION FILED AGAINST OUR COMPANY

Criminal Cases

There are four criminal proceedings against our Company. The aggregate financial implication is approximately Rs. 0.59 crore, the details of which are as follows.

(a) The Sub-Divisional Magistrate, Chamba issued a notice to our Company under the Code of Criminal Procedure, 1973 ("**Cr.P.C.**") for removal of debris gathered from construction work at our various sites of our Chamera–III project, alleging that the debris was not disposed of properly and that it was spilling from the site and collecting at the Chamba river bed, creating a nuisance.

(b) The Police Department of the Himachal Pradesh filed an application/petition under the Himachal Pradesh Police Act, 1861, read with the Cr.P.C. for recovery of leave salary and pension contribution aggregating Rs. 0.59 crore up to March 31, 2003 from our Company, in respect of police personnel deployed for security at Chamera power station.

Our Company filed a reply arguing that the alleged claim is payable only if the employees are on foreign services.

(c) The Labour Inspector, Kullu has filed a complaint (No. 2240-I of 2008) dated May 3, 2008 against the Director (Projects) of our Company and our Company before the Chief Judicial Magistrate, Kullu alleging non-compliance with the provisions of the Factories Act and the Himachal Pradesh Factories Act, 1950. The Labour Inspector has also alleged that the record of employees was not produced for inspection. Further, the labour inspector vide his application dated January 17, 2009 prayed before the Chief Judicial Magistrate to issue summons in the name of S.K. Dudeja, J.C. Dhiman and Anand Tembhare. The matter is currently pending.

(d) The Labour Inspector, Chamba has filed a complaint (No. 1460-I of 2009) dated April 22, 2009 against the General Manager, Chamera Hydroelectric Project Stage – III before the Chief Judicial Magistrate, Chamba alleging that our Company had started the construction of the power house and installation of the machine in the power house without obtaining the permission from the labour commissioner cum chief inspector of factories under the Factories Act. The matter is currently pending.

Statutory Notices

Our Company has received a notice from the RoC, brief details of which are set forth below:

i. The RoC has issued an order (No. 5.332.08/ROC/D/MS/6266) dated October 14, 2008 to our Company, in exercise of its powers under section 234(1) of the Companies Act, seeking certain information and explanations with respect to our financial statements as of and for the period ending March 31, 2008, including in relation to some of our Company's projects. The grounds mentioned in the RoC's order include the following:

   i. Prima facie violation of Section 205 of the Companies Act read with the Companies (Transfer of Profits to Reserves) Rules, 1975, on the ground that our Company had declared dividends of Rs. 300 crore including interim dividend of Rs. 100 crore but no amount has been transferred to the general reserves.
   ii. Prima facie violation of Section 209(3) of the Companies Act, on the ground that our Company did not account for provisions for bad and doubtful debts for financial year 1996-97 regarding doubtful realization from debtors for sales including an amount of Rs. 120.81 crore, resulting in overstatement of profit to this extent as accounts were not maintained on accrual basis.
   iii. Prima facie violation of Section 211(1) and (2) read with Schedule VI of the Companies Act, on the grounds that (a) a self insurance reserve (net) of Rs. 73.05 crore was created and charged to the profit and loss account instead of to the profit and loss appropriation account, and (b) profit was overstated by Rs. 9.04 crore and capital work in progress and reserves and surplus were overstated by Rs. 35.38 crore as revenue expenditure incurred due to delay in construction activity at Subansiri (Upper and Lower) and Siang (Upper) projects was capitalised instead of being charged to revenue.
   iv. Prima facie violation of Section 217(2) of the Companies Act, on the ground of non-disclosure of nature of business of subsidiaries or change in nature of business carried on by them and the classes of business in which the Company has an interest.
   v. Contravention of Clause 49 regarding corporate governance, on the ground that our auditors had qualified their report on composition of board of directors, which was not referred to SEBI.
   vi. Non-compliance with uniform accounting policies while drawing financial statements of our Company and NHDC, due to which consolidated profit for the year (net of

minority interest) was overstated by Rs. 6.74 crore and fixed assets and capital reserves were overstated by Rs. 71.44 crore and Rs. 28.32 crore, respectively.

vii. Non-compliance with AS-2, with respect to consideration of net realizable value in valuation of inventories.

viii. Non-compliance with AS-10, 6 and 28 with respect to accounting for fixed assets, resulting in overstating of fixed assets.

ix. Non-compliance with AS-17, with respect to segmental reporting of income generated from contracts and consultancy, and electricity generation, non-compliance with AS-19 with respect to disclosure pertaining to rent on operating leases.

x. Our Company was asked to furnish certain documents including (a) minutes of Board and shareholder meetings and annual returns and balance sheets for the period April 1, 2007 to August 30, 2008, (b) details of the audit committee along with the details of its membership, (c) information in relation to details of assets amounting to Rs. 53.96 crore which have been disposed of and whether the purchase was related to any Director of the Company, and (d) a list of all approvals sought by the Company from the Central Government under the Companies Act in the last three years.

Our Company filed a reply dated October 29, 2008, providing certain information and requesting extension of time until November 2008 for the remaining information to be furnished from the Company's various projects. Further, our Company filed two replies dated November 17, 2008 and March 29, 2009 furnishing the pending information. Our Company has not received any further correspondence from the RoC in this regard.

Complaints received from the Narmada Bachao Andolan

NBA has written three complaints dated September 12, 2008, September 16, 2008 and September 24, 2008 addressed to the Chairman, SEBI pointing out concealment of information relating to certain litigation filed by NBA pending against our Company and NHDC, in the DRHP filed with SEBI on August 6, 2008. Brief details of the allegations are set forth below:

(a) *NBA Complaint dated September 12, 2008*

NBA primarily contended that our Company and NHDC did not disclose certain material information relating to certain litigation filed by NBA against our Company and NHDC, in a deliberate attempt to mislead SEBI and investors. NBA noted that four special leave petitions (No. 935 of 2007, and Nos.7971, 8193 and 21386 of 2008) filed in the Supreme Court, two writ petitions (No. 4457 of 2007 and No.13919 of 2006) and two contempt petitions (Nos. CP 558 and 623 of 2008) filed in the High Court of Madhya Pradesh at Jabalpur had not been disclosed in the DRHP. NBA has filed these cases on allegations including that our Company and NHDC have failed to rehabilitate hundreds of displaced land oustees who were affected by the construction of the Indirasagar and Omkareshwar hydroelectric projects and that the acts of our Company and NHDC constitute a deliberate denial of the constitutional and legal rights of such oustees, including under our Company and NHDC's respective R&R policies. We replied to the NBA vide our letter dated September 18, 2008.

(b) *NBA complaint dated September 16, 2008*

NBA primarily alleged that our Company and NHDC had misrepresented and concealed material information on outstanding litigation involving our Company and NHDC and our respective directors, in the DRHP filed with SEBI in violation of Section 60B of the Companies Act and the SEBI Guidelines. NBA further mentioned details of the eight cases filed by them and also noted that certain ongoing contempt petitions against our Chairman and Managing Director, Mr. S.K. Garg and Mr. Pradeep Bhargava, director of NHDC were also not disclosed in the DRHP. NBA reiterated its contention that NHDC had not provided adequate R&R to affected families prior to their submergence caused by construction of the dams for the Indirasagar and Omkareshwar hydroelectric projects, and in certain cases, had not even acquired the land from the affected persons prior to submerging their land. NBA questioned the due diligence of the BRLMs and other persons responsible for the verification of facts in the DRHP, and requested a personal meeting with our Chairman and/or any members of our Board, to further set forth all the facts available on their records. This letter was forwarded to us by SEBI and received by us on September 18, 2008, subsequent to the response which we had already dispatched to the NBA's previous letter dated September 12, 2008.

(c) *NBA complaint dated September 24, 2008*

Upon receipt of our response dated September 18, 2008, NBA reiterated its contention that the DRHP filed by our Company supressed material facts and carried untruthful statements in relation to disclosures relating to outstanding litigation involving our Company, NHDC and the Directors of our Company, primarily on the grounds that the litigation disclosures in the DRHP omitted material information on certain cases against our Company, NHDC and its directors and wrongly disclosed cases in a consolidated manner. It was also stated that the declaration signed by our Directors and the Selling Shareholder on the last page of the DRHP was false and misleading. NBA also set forth that in the event the cases filed by them were decided in their favour, it would result in a material and adverse financial impact on our Company and NHDC and an additional outlay of several hundred crores would be required to be paid by our Company towards rehabilitation measures. Our Company replied to the NBA letters of September 16, 2008 and September 24, 2008, vide our response dated November 11, 2008.

Further to receipt of the above complaints, our Company has revised and disclosed all litigation filed by NBA separately under "***Outstanding Litigation and Material Developments- Land acquisition related Special Leave Petitions***", "***Outstanding Litigation and Material Developments- Land acquisition related Writ Petitions***", and "***Outstanding Litigation and Material Developments- Litigation involving our Directors***" on pages 348, 348 and 354, respectively, in place of the previous consolidated and summarised disclosures and also disclosed litigation filed against our Directors and directors of NHDC separately. In addition, we have disclosed a separate risk factor to inform investors of the potential implication of litigation against NHDC to ensure that investors are aware of the financial impact on our Company and NHDC in the event these cases are held against us or NHDC. It may be noted that whilst NHDC has quantified the aggregate claim against it in the land acquisition and resettlement or rehabilitation related proceedings as being in excess of Rs. 1,844 crore, NHDC's actual liability in the event these cases are determined against it, and the total number of persons or villages affected, are not presently possible to quantify and if these cases are determined against NHDC, our liabilities may far exceed our current estimates which will have a material adverse effect on our business, financial condition and results of operation.

Prior to making an investment decision with respect to our Company, investors should read the above disclosure along with the risk factors pertaining to the above. Specific attention of the investors is invited to "***Risk Factors- Our Company and our Subsidiary are presently, and may in future, be subject to litigation, including public interest litigation, instituted in relation to environmental impact of our projects as well as acquisition of land for our projects and consequent displacement and rehabilitation of persons***" and ***"Risk Factors- The construction and operation of hydroelectric projects has faced opposition from local communities and other parties, including in the form of litigation instituted against our Company and Subsidiary and we may continue to face such opposition in the future"*** on pages xv and xviii, respectively.

Consumer Redressal Commission

There are three consumer cases pending before the Consumer Grievance Redressal Forum and Consumer Redressal Commission amounting to approximately Rs. 0.78 crore, the brief details of which are set forth below:

(a) Mr. Sali Ram had filed a complaint against our Company, the Regional Provident Fund Commissioner and PGCIL before the District Consumer Forum, Kangra alleging that our Company and PGCIL had failed to make payments of provident fund pension to him which led to deficiency in service. The District Consumer Forum, Kangra vide order dated November 29, 2008 held that the Regional Provident Fund Organisation had committed deficiency in service and ordered our Company and PGCIL to jointly pay a sum of Rs. 5,000 as compensation. Mr. Sali Ram has filed an appeal (No. 53 of 2009) against our Company and PGCIL before the Consumer Dispute Redressal Commission, Simla. The matter is currently pending.

(b) Our Company has filed an appeal on July 15 2008, under the Electricity Act 2003 before the Consumer Grievance Redressal Forum Himachal Pradesh State Electricity Board, Shimla, against a notice dated June 24, 2008 served by Assistant Engineer, Himachal Pradesh State Electricity Board, whereby our company has been directed to deposit Rs. 0.55 crore for the period of March 2007 to February 2008 towards usage of greater electricity load than was sanctioned to our Parbati II Hydro Electric Project. Consumer Grievance Redressal Forum Himachal Pradesh vide its order dated December 12, 2008 directed our Company to approach the 'Appropriate Appellate Authority' under section 127 of Electricity Act 2003. Our Company has now filed an application before the Consumer Grievances Redressal Forum Himachal Pradesh State Electricity Board at Mandi and prayed that the notice dated June 24, 2008 directing our Company to deposit Rs. 0.55 crore may be quashed and set aside. The matter is currently pending.

(c) Our Company has filed an appeal on July 15 2008, under the Electricity Act 2003 before the Consumer Grievance Redressal Forum Himachal Pradesh State Electricity Board, Shimla, against a notice dated June 24, 2008 served by Assistant Engineer Himachal Pradesh State Electricity Board, whereby our Company has been directed to deposit Rs 0.23 crore for the period of March 2007 to February 2008 towards usage of greater electricity load than was sanctioned to our Parbati II Hydro Electric Project. Consumer Grievance Redressal Forum Himachal Pradesh vide its order dated December 12, 2008 directed our Company to approach the 'Appropriate Appellate Authority' under section 127 of the Electricity Act, 2003. Our Company has now filed an application before the Consumer Grievances Redressal Forum Himachal Pradesh State Electricity Board at Mandi and prayed that the notice dated June 24, 2008 directing our Company to deposit Rs. 0.23 crore may be quashed and set aside. The matter is currently pending.

Environmental Litigation

There are nine environment-related proceedings, including public interest litigation, pending against our Company. No monetary claim against our Company has been quantified. The details are provided below.

(a) Mr. D.S. Patiyal filed a writ petition (W.P. (S/S) 1179 of 2003) dated December 21, 2003 in the Uttarakhand High Court against our Company, our contractor Kazima Daweoo, and the Union of India, for issuance of a writ of mandamus to direct the State government to immediately stop illegal mining activities at the Dhauliganga project. Pending determination of this writ petition, the construction of the Dhauliganga project has been completed. Mr. Patiyal further prayed for a direction to our Company, our contractor

Kazima Daweoo, and the Union of India to make up for the destruction caused to the region. No monetary claim against our Company has been quantified.

(b) Dr. Jhunjhunwala filed a writ petition (No. 211 of 2008) in March 2008, in the Uttarakhand High Court against our Company, alleging that our Company has misrepresented that Kotlibhel IA, Kotlibhel IB and Kotlibhel Stage II projects are purely run of the river and that they shall be operated continuously without disturbing the flow at confluence at Dev Prayag river. Mr. Jhunjhunwala prayed for issuance of directions to our Company to stop construction of these projects. No monetary claim against our Company has been quantified.

(c) The State of Arunachal Pradesh filed an application (No.1362 of 2004) for modification of the Supreme Court's order dated April 19, 2004 in interim application Nos. 966 and 1012 of 2003 that upheld the MoEF's permission to our Company for the Lower Subansiri project by the MoEF, subject to the fulfilment of certain conditions mentioned in the said order. The Government of Arunachal Pradesh filed the above applications on the ground that the said order was passed without notice to the State and without affording an opportunity of being heard. The State of Arunachal Pradesh further challenged and sought modifications to the imposition of the condition that the reserve forest area that forms part of the catchments of the Lower Subansiri projects including the reservoir, should be declared as a National Park/Sanctuary and that there would be no construction of a dam upstream of Subansiri river in future, and sought modification of the above order. The Supreme Court, by its order dated July 21, 2006, has referred the matter to the Standing Committee of the NBWL, which has submitted its report on the matter. Our Company has submitted its position concerning the Subansiri Group basin projects. No monetary claim against our Company has been quantified.

(d) Mr. Shiba Sunawar filed a petition (No. 835 of 2005) before the Central Empowered Committee constituted by the Supreme Court (comprising members appointed by the Supreme Court), with respect to the Teesta-V project in Sikkim alleging that our Company violated environmental and forest laws in general and the conditions of MoEF clearance in particular. He prayed for action against our Company for wilful violation of the FCA and the EPA. He also prayed for a direction that all illegal use of forest land be stopped immediately and the forest land be restored in accordance with the 'polluter pays' principle. No monetary claim against our Company has been quantified.

(e) Mr. Ravinder Kumar filed a writ petition (W.P. No. 926 of 2006) in the Delhi High Court against our Company and others, praying for issuance of an appropriate writ or direction quashing the order dated July 25, 2005 of the National Environment Appellate Authority ("**NEAA**") in Appeal No. 4 of 2005 and the MoEF order dated March 11, 2005 granting clearance for the Siyom project. Mr. Ravinder Kumar alleged, among other things, that our Company showed total disregard to the procedures stipulated in the EIA Notification, 1994. No monetary claim against our Company has been quantified.

(f) Mr. Vimal Bhai and others filed an appeal in the NEAA, New Delhi (Appeal No. 10 of 2007) and others, against an MoEF order dated August 23, 2007 that granted environmental clearance for setting up the Kotlibhel project, Stage IB (530 MW) in Districts Pauri and Garhwal, Uttarakhand to our Company and prayed before the NEAA to stay the clearance granted on ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. No monetary claim against our Company has been quantified.

(g) Dr. Jhunjhunwala and others filed an appeal before the NEAA, New Delhi (Appeal No. 9 of 2007) against an MoEF order dated August 14, 2007 that granted environmental clearance for setting up the Kotlibhel project, Stage II (320 MW) in Districts Pauri and

Garhwal, Uttarakhand to our Company and prayed before the NEAA to stay the clearance granted on ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. No monetary claim against our Company has been quantified.

(h) Mr. Vimal Bhai and others filed an appeal before the NEAA, New Delhi (Appeal No. 8 of 2007) against an MoEF order dated May 9, 2007 that granted environmental clearance for setting up the Kotlibhel project, Stage I-A (195 MW) in Districts Pauri and Garhwal, Uttarakhand to our Company and prayed before the NEAA to stay the clearance granted on ongoing construction until a complete EIA is undertaken and to pass an order directing that a proper EIA is done and another public hearing is ordered. No monetary claim against our Company has been quantified.

(i) Astitwa Society has filed a civil writ petition (No. 566 of 2009) against Himachal Pradesh, our Company and others before the High Court of Himachal Pradesh, Simla alleging that our Company is carrying out illegal and unscientific mining, which has caused damage to the environment and ecology in the state. Although our Company has been impleaded as a party but no notice has been received by us. The matter is currently pending.

CERC proceedings

There are three proceedings pending before the CERC, filed against our Company in relation to tariff orders issued for some of our power stations. The details are provided below.

(a) Our Company is impleaded as a respondent in an appeal (SLP Civil No. 2875 of 2007) in the Supreme Court filed by NTPC against an order dated December 21, 2000 passed by the CERC and the order dated December 6, 2006 of the Appellate Tribunal for Electricity ("**ATE**") whereby challenging the terms and conditions of the tariff regulations, 2001 and various orders dated December 15, 2000 and the availability based tariff ("**ABT**") order dated January 4, 2000 for thermal stations and hydro generating stations being determined. NTPC has prayed for, among other things, a direction to the effect that all the norms and parameters applicable to NTPC on tariff matters shall be at par with those applicable to thermal generating stations of independent power producers, licensees, undertakings owned or controlled by the state/central government and the SEB and others as notified by the GoI and against the Appellate Tribunal finding that it has no power under appeal to quash the order of regulation formulated by CERC.

(b) Our Company has been impleaded as a party in an appeal (No. 2166 of 2007) filed by NTPC against the Transmission Corporation of Andhra Pradesh Limited and others, in the Supreme Court challenging the ATE's order dated January 4, 2007 in an appeal (95 of 2005) whereby the Appellate Tribunal held that it had no jurisdiction to adjudicate on the issue of questioning the legal validity of the regulations framed by the CERC.

(c) Our Company has been impleaded as a respondent in civil appeal (No. 2105 of 2009) before the Supreme Court filed by the Assam State Electricity Board against the order dated January 04, 2008 passed by ATE in appeal (No. 98 of 2007) wherein the orders of CERC dated December 12, 2006 passed in the review petition (No. 62 of 2006 and 72 of 2006) was set aside and transmission tariff issue for the period January 1, 2002 to March 31, 2004 was stated to be reopened by ATE by ignoring Regulation 103 of the CERC (Conduct of Business) Regulation, 1999. The petitioner has prayed to allow the appeal of the Assam State Electricity Board and to set aside the impugned order dated January 4, 2008 passed by the ATE in appeal (No. 98 of 07). No claim has been made against our Company. The matter is currently pending.

Income Tax Proceedings

There are seven income tax proceedings pending against our Company where the disputed amount is approximately Rs. 353.70 crore which has been paid and is currently being contested. The details of the proceeding are mentioned below.

(a) In relation to financial years 1997-98, 2000-01 to 2005-06, our Company declared nil income for the purposes of computation of income tax pursuant to Section 28(1) of the IT Act as our Company carried "unabsorbed depreciation/losses". However, the Income Tax Department ("**IT Department**") raised a demand of approximately Rs. 97.62 crore against our Company under Section 115JB of the IT Act under the head of MAT. This resulted in an increase in our Company's total income tax liability from Rs 256.08 crore to Rs. 353.70 crore. Our Company paid the above-mentioned additional tax liability under protest, however, the Commissioner of Income Tax (Appeals) ("**CIT (A)**"), Faridabad allowed relief of Rs. 48.32 crore out of which refund orders of Rs. 37.28 crore (total refund orders received aggregate Rs. 40.18 crore including interest) pertaining to financial years 2001-02 to 2005-06 have been received and refund order of Rs. 11.04 crore pertaining to financial year 2000-01, 2001-02 and 2004-05 is awaited. Our Company is contesting the I.T. Department's claim, which has arisen as a result of the following significant issues:

- **Advance against depreciation:** Advance against depreciation was added by the I.T. Department for computing normal income under Section 28(1) and for computation of book profits under Section 115JB of the IT Act for calculating MAT.

- **Claim of tax free interest income on tax free power bonds:** The I.T. Department rejected our Company's claim for tax free bond income and a reduction on account of interest income from tax free power bonds. The amount was added by the I.T. Department for normal income under Section 28(1) and for computation of book profits under Section 115JB of the IT Act for calculating MAT.

- **Employee provisions:** The I.T. Department added employee provisions for gratuity, leave encashment, and retired employees' health scheme in our Company's book profits for computation of MAT under Section 115JB of the IT Act.

- **Provision for doubtful debts**: The I.T. Department added the amount of provision for doubtful debts in our Company's book profits for computation of MAT under Section 115JB of the IT Act.

- **Depreciation on land unclassified and leasehold land:** The I.T. Department added the amount of depreciation on land unclassified and leasehold land in our Company's book profits for computation of MAT under Section 115JB of the IT Act.

- **Provision for Tariff Adjustment:** The I.T. Department added the amount of provision for tariff adjustment for computing our Company's normal income under Section 28(1) as well as for computation of book profits under Section 115 JB of the IT Act.

- **Provision for Doubtful claims and advances, obsolescence in inventories and claims recoverable from PGCIL:** The I.T. Department added these provisions in our Company's book profits for computation of MAT under Section 115 JB of the IT Act.

- **Depreciation on exchange rate variation:** The I.T. Department disallowed the depreciation on increase in liability due to exchange rate variation. The amount was added for computation of normal income under Section 28(1) of the IT Act.

(b) Further, due to the above variations in computations of normal income and income under Section 115JB of the IT Act, the I.T. Department imposed a tax liability on our Company as detailed below.

Financial Year 2005-06: The IT Department imposed an additional liability of Rs. 7.37 crore on our Company. Our Company paid the additional liability of Rs. 7.37 crore in the protest and there is currently no outstanding liability against our Company. Our Company filed an appeal against the assessment order before the CIT (A), Faridabad, who allowed a relief of Rs. 7.37 crore and the refund of the same has been received.

Financial year 2004-05: The IT Department imposed an additional liability of Rs. 14.38 crore on our Company. Further, our Company deposited a tax liability of Rs. 10.33 crore on amount of advance against depreciation consequent upon the ruling of Authority for Advance Rulings ("**AAR**"). Our Company paid the additional liability of Rs. 14.38 crore in the protest and there is currently no outstanding liability against our Company. Our Company filed an appeal against the assessment order before the Commissioner of CIT (A), Faridabad, who allowed a relief of Rs. 14.38 crore. The refund of Rs. 5.68 crore has been received and refund order for balance of Rs. 8.70 crore is awaited. For the amount of Rs. 10.33 crore pertaining to advance against depreciation, our Company filed a special leave petition (No. 4378 of 2007) before the Supreme Court against the AAR's order.

Financial Year 2003-04: The I.T. Department imposed an additional liability of Rs. 10.99 crore on our Company. Further, our Company deposited a tax liability of Rs. 11.36 crore on amount of advance against depreciation consequent upon ruling of authority for AAR. Our Company paid the additional liability of Rs. 10.99 crore under protest and there is currently no outstanding liability against our Company. Our Company filed an appeal against the assessment order before the CIT (A), Faridabad and he allowed a relief of Rs. 10.99 crore. The refund order has been received. For the amount of Rs. 11.36 crore pertaining to the advance against depreciation, our Company filed a special leave petition (No. 4378 of 2007) before the Supreme Court against the AAR's order.

Financial Year 2002-03: The I.T. Department imposed additional liability of Rs. 27.57 crore on our Company, including advance against depreciation, consequent upon ruling of authority for AAR. Our Company paid the additional liability of Rs. 27.57 crore under protest and there is currently no outstanding liability against our Company. Our Company filed an appeal against the assessment order before the CIT (A), Faridabad and he allowed a relief of Rs. 12.95 crore. The Refund Order has been received. For the amount of Rs. 14.62 crore pertaining to the advance against depreciation, our Company filed a special leave petition (No. 4378 of 2007) before the Supreme Court against the AAR's order.

Financial Year 2001-02: The I.T. Department imposed additional liability of Rs. 20.54 crore on our Company, consequent upon Ruling of Authority for AAR that the amount of advance against depreciation is to be included for the computation of book profit under Section 115 JB of IT Act in the year of receipt. Our Company paid the additional liability of Rs. 20.54 crore under protest and there is currently no outstanding liability against our Company. Our Company filed an appeal against the order of CIT (A), Faridabad before the Income Tax Appellate Tribunal, Delhi against the demand of Rs. 8.93 crore. The Income Tax Appellate Tribunal allowed a relief of Rs. 2.05 crore and the refund order for the same is awaited. Further, CIT (A) allowed relief of Rs. 0.29 crore for interest under Section 234 D and the refund order of the same has been received. The matter is pending adjudication for the amount of Rs. 6.59 crore. For the amount of Rs. 11.61 crore pertaining to the advance against depreciation, our Company filed a special leave petition (No. 4378 of 2007) before the Supreme Court against the AAR's order.

Financial Year 2000-01: The I.T. Department imposed additional liability of Rs. 16.77 crore on our Company, consequent upon the AAR's ruling that the amount of advance against depreciation is to be included for the computation of book profit under Section 115 JB of IT Act in the year of receipt. The Income Tax Appellate Tribunal allowed relief of Rs. 0.29 crore for interest under Section 234 D and the refund order of the same is awaited. Our Company paid the additional liability of Rs. 16.77 crore under protest and there is currently no outstanding liability against our Company. For the amount of Rs. 16.48 crore pertaining to the advance against depreciation, Our Company filed a special leave petition (No. 4378 of 2007) before the Supreme Court against the AAR's order.

Financial Year 1997-98: The I.T. Department by assessment order dated March 7, 2001, among other things, disallowed our claim of Rs. 5.86 crore on account of capitalisation of increase in liability due to exchange rate variations. Our Company filed an appeal (11/2001-02) before the CIT (A)-XVI, New Delhi to set aside the various disallowances made by the impugned order. The CIT (A)- XVI, New Delhi by order dated November 18, 2002 partly allowed our appeal including holding the issue of allowance of depreciation on capitalisation of liability due to exchange rate variations in our favour. The I.T. Department filed an appeal (1496/Del/2003) before the Income Tax Appellate Tribunal, New Delhi, which was dismissed by order dated October 27, 2004. The I.T. Department filed an appeal (274/2006) before the Punjab and Haryana High Court to set aside the aforesaid order.

(c) In the matter of advance against depreciation, our Company approached the AAR, asking for an advance ruling on whether advance against depreciation is required to be included for computation of book profit under Section 115JB of the IT Act in the year of receipt or in the year to which the depreciation relates. The AAR, by order dated December 17, 2004, ruled that the amount of advance against depreciation is to be included for the computation of book profit under Section 115JB of IT Act in the year of receipt. Our Company filed a special leave petition before the Supreme Court against this order.

(d) Our Company filed applications before the Chief Commissioner of Income Tax, Panchkula, Haryana, for waiver of interest of Rs. 17.50 crore under Sections 234B, 234C, 234D and 220(2) of the IT Act on additional tax demand for assessment years 2001-02 to 2005-06 arising out of the above decision of the AAR on advance against depreciation. The Chief Commissioner of Income Tax, by order dated February 17, 2006, dismissed our application for waiver of interest. Our Company filed a writ petition before the Punjab and Haryana High Court, praying for a writ of *certiorari* quashing the Chief Commisioner of Income Tax order.

Other Proceedings Relating To Tax and Statutory Charges

There are 27 proceedings relating to tax and statutory charges, (exclusive of the income tax proceedings described above) pending against our Company with an aggregate liability of approximately Rs. 170.67 crore along with interest. The details are provided below.

(a) Our Company filed a writ petition (W.P. No. 41 of 2000) against the Government of Manipur in the High Court, Guwahati against the order dated February 23, 2000 in relation to the imposition of sales tax on the supply of the electricity to the states of Nagaland and Assam. The High Court, Guwahati partly allowed the writ petition and gave our Company the liberty to make representations before the appropriate authority of the State government for consideration of waiver of said sales tax. Our Company challenged the High Court's order through a letters patent appeal before a Division Bench of the High Court. The amount involved in the proceeding is Rs. 71.21 crore.

(b) The Assessing Authority, Sopore, passed an order against our Company and issued a demand notice for payment for Rs. 15.95 crore as sales tax for accounting year 1995-96. The aforesaid order was challenged before the Deputy Sales Tax Commissioner (Appeals), Srinagar. The Deputy Sales Tax Commissioner (Appeals), Srinagar set aside the impugned order and remanded the case to its original jurisdiction for fresh assessment order dated May 15, 2003. Our Company filed an appeal against the aforesaid order passed by Deputy Sales Tax Commissioner (Appeals) before the Jammu & Kashmir Sales Tax (Appellate) Tribunal, Srinagar.

(c) The Assessing Authority, Sopore, passed an order against our Company and issued a demand notice for payment of Rs. 0.88 crore as sales tax for accounting year 1996-97. Our Company challenged the aforesaid order before the Sales Tax Commissioner (Appeals), who dismissed the appeal by order dated May 14, 2003. Our Company filed an appeal against the aforesaid order before the Jammu & Kashmir Sales Tax Appellate Tribunal.

(d) Our Company filed an appeal dated October 24, 2000 before the Deputy Sales Tax Commissioner (Appeals) against the order in demand notice (No. 1812) dated March 6, 1999 of the Assessing Authority, Sopore, which issued a demand notice for the payment of Rs. 75.55 crore as sales tax for accounting year 1994-95. The aforesaid order was challenged before the Deputy Sales Tax Commissioner (Appeals), Srinagar. The Appellate authority set aside the impugned order and remanded the case to its original jurisdiction for fresh assessment after affording an opportunity of being heard. Our Company filed an appeal against the aforesaid order on the grounds that no sales tax is payable as per the Jammu & Kashmir Sales Tax Act for the goods purchased by our Company.

(e) Our Company filed a writ petition (CWP No. 2192 of 2004) in the Calcutta High Court against the Commissioner of Customs, the Assistant Commissioner of Customs, Commissioner of Customs (Appeals), Assistant Commissioner of Customs (Appraising), Customs Excise and Service Tax Appellate Tribunal and the Union of India. Our Company challenged the order dated July 14, 1987 of the Assistant Commissioner of Customs (Appraising) and the order dated September 23, 2002 of the Commissioner of Customs (Appeals), respectively, where the customs authorities confirmed the bond of Rs. 0.26 crore along with interest, for non-compliance by our Company with the conditions stipulated for importing material for Loktak power station. Our Company prayed for a writ of *mandamus* to be issued to the customs authorities against the confirmation.

(f) The Commissioner, Commercial Tax, Haldwani, directed our Company to pay approximately Rs. 0.27 crore as penalty for assessment year 1990-01. Our Company filed an appeal (No. 52 of 2006) before the Commissioner, Commercial Tax, Haldwani against the order dated August 19, 2006 of the Commissioner, Commercial Tax.

(g) Our Company had filed a writ petition (No. 725 of 1998) before the High Court of Himachal Pradesh challenging the validity of the Himachal Pradesh Goods and Taxation (Amendment and Validation) Act, 1997 regarding the levy of tax amounting to Rs. 2.76 crore imposed on our Company's buses. The High Court vide order dated December 11, 2008 upheld the constitutional validity of the Validation Act (No. 20 of 1997) with retrospective effect from 1955. Aggrieved by the order of the High Court our Company has filed a special leave petition (No. 10920 of 2009) against the State of Himachal Pradesh and others before the Supreme Court. The matter is currently pending.

(h) The sales tax assessing authority, Chamba by three separate notices (Nos. 55, 56 and 57 of 2007-08) dated December 27, 2007 and order dated January 17, 2008 raised an aggregate demand Rs. 2.50 crore while assessing the returns filed by Chamera II power station in respect of sales tax including the deduction of the tax deducted on the work orders paid for the periods 2002-03, 2003-04 and 2004-05. Our Company filed three separate appeals dated February 27, 2008 for each of the said assessment years against the Deputy Commissioner cum appellate authority, Palampur, Himachal Pradesh, praying to quash the assessment orders and drop the proceedings against our Company.

(i) The Assistant Commissioner Trade Tax (Commercial), Tanakpur by order dated April 10, 2007 imposed a penalty of Rs. 0.03 crore for assessment year 2003-04 against our Company (Tanakpur Power Station). Our Company filed an appeal (No. 142 of 2007) dated June 16, 2007 before the CCT, Haldwani against the said order and deposited Rs. 0.01 crore (25% of the penalty imposed). The balance penalty pending is Rs. 0.02 crore.

(j) An appeal was filed by our Company against the Deputy Excise and Taxation Commissioner cum-Appellate Authority NZ Palampur before the Financial Commissioner (Appeals) Himachal Pradesh, Shimla and others against the order dated December 18, 2005 of the Assistant Excise and Taxation Commissioner, Chamba levying Value Added Tax ("**VAT**") of Rs. 29,795 on medicines and electrical goods procured for the use of CPS-I and also a penalty of Rs. 45,205 alleging that the goods were not declared at Tunnu Hatti barrier. The aggregate penalty is Rs. 0.01 crore.

(k) Our Company filed an appeal against the order dated December 22, 2005 passed by the Excise and Taxation officer, Chamba levying an additional VAT of Rs. 0.001 crore on the grounds that the material in question was of commercial nature and was liable to tax under VAT Act, 2005.The said appeal was decided on November 30, 2006 and an intimation was sent by the appellate authority by letter dated December 12, 2006.

(l) The Assessing Authority, Urban Immovable Property Tax, Jammu has raised a demand for depositing property tax on Salal project, Jammu for the period from April 1, 1991 to March 31, 1997 and April 1, 1997 to March 31, 2002. The land had been taken on lease from the Northern Railway, Jammu. Against the demand of the Assessing Authority, six appeals were filed by our Company before the Deputy Sales Tax Commissioner out of which four were disposed on March 30, 2008. Aggrieved by the order dated March 30, 2008 of the Sales Tax Commissioner, our Company has filed four appeals (No. 11(1) CJ/AP/UIPT/1999-2000), (No. 2(DCJ)/AP/UIPT/2000-2001), (No. 19/DCJ/AP/UIPT/2000-2001) and (No. 8/DCJ/AP/T/2002-2003) before the State Sales Tax Appellate Tribunal, Jammu & Kashmir, praying that our Company is not liable to pay any property tax on the said property as the owner of the land is the Railway Department. The two appeals (No. 92/DCJ/DP/UIPT/1997-1998) dated May 30, 1997 and another appeal dated April 6, 2000 against the demand of the Assessing Authority are currently pending before the Deputy Sales Tax Commissioner and the remaining four appeals are currently pending before the State Sales Tax Appellate Tribunal, Jammu & Kashmir. The aggregate amount of property tax claimed on the abovementioned property is Rs. 0.20 crore.

(m) Our Company filed an appeal before the Commissioner, Tax Tribunal, Haldwani, Nainital, dated December 11, 2006 against the imposition of the penalty of Rs. 0.03 crore demanded by the Assessing Authority, Khatima, due to delay in submission of the application for non payment of Rs. 0.10 crore.

(n) Our Company filed an appeal dated July 1, 2003 before the Sales Tax Appellate Tribunal, Srinagar against the order dated April 2, 2003 of the Deputy Commissioner Sales Tax (Appeals) by which our Company's request for the recall of the order to extend the date of depositing the asked amount was dismissed. The amount involved is Rs. 0.03 crore.

(o) Our Company procured certain goods for Teesta Low Dam (Stage–III) for generation and distribution of energy. The goods were to be used directly for the above purpose. The State of West Bengal issued three demand notices dated December 30, 2004, June 12, 2005 and August 10, 2005 imposing tax of Rs. 0.06 crore under the West Bengal Sales Tax Act, 1994. Our Company filed an application against these notices and the West Bengal Taxation Tribunal, by order dated November 22, 2007 stated that imposition of tax is *ultra vires* and the demand raised were to be set aside. The State of West Bengal filed three writ petitions (W.P. Nos. 3, 4, and 5 of 2008) in the Calcutta High Court, against the above judgments and order dated November 22, 2007 of the West Bengal Tax Tribunal.

(p) The Excise and Taxation Officer by order (No. VAT/4/2008) dated June 23, 2008 imposed a penalty of Rs. 0.01 crore on our Company under the Punjab VAT Act, 2005 for alleged non furnishing of the declaration of the goods being transported from Haridwar to Pathankot for Chamera – I. Our Company filed an appeal dated June 29, 2008 before the Deputy Excise and Taxation Commissioner cum Joint Director, Jalandhar division.

(q) The State of Himachal Pradesh had vide notice raised a demand of Rs. 0.64 crore against our Company on the account of electricity duty on the Chamera Hydroelectric Project. Our Company at the same time had claimed that an amount of Rs. 0.32 crore had already been deposited in excess of the amount due on our Company. Aggrieved by the notice our Company filed a writ petition (No. 62 of 2007) against the State of Himachal Pradesh before the High Court of H.P. praying for grant of stay against the demand issued by the State of H.P. and for the release the excess amount of Rs. 0.32 crore deposited by our Company. The High Court vide order dated April 5, 2008 directed both the parties to resolve the issue with the Chief Electrical Inspector ("**CEI**"). Accordingly a petition filed before the CEI, H.P. The CEI vide order dated September 2, 2008 accepted the claim of Himachal Pradesh State Electricity Board. Aggrieved by the order of the CEI our Company has filed an appeal before the Secretary (Multi Purpose Project and Power), State of Himachal Pradesh. The matter is currently pending.

(r) The Assessing Authority, Chamba on the basis of the audit report, issued a notice dated August 8, 2003 against our Company for Chamera Power Station – II for re-assessment of the sales tax assessment of the years 2000-01 and 2001-02 in respect of the material issued to the contractor for the execution of work of our Company. The Assessing Authority vide its order dated May 27, 2004 dropped the demand of Rs. 0.23 crore, on the ground that the material issued to the contractor was not a sale. The Deputy Excise cum Appellate Authority (North Zone), Palampur, under the Himachal Pradesh General Sales Tax 1968, took suo-moto notice and passed the order dated June 15, 2005 dismissing the order dated May 27, 2004 of Assessing authority. Aggrieved by the order dated June 15, 2005, a revision was filed before Financial Commissioner (Appeals), Himachal Pradesh by our company. Vide order dated October 6, 2006 revision was accepted and order dated June 15, 2005 was set aside. Aggrieved by the order dated October 6, 2006 Excise and Taxation Commissioner, Himachal Pradesh has filed the revision petition (No. 5 of 2009) before the Himachal Pradesh Appellate Tax Tribunal, Dharamshala date April 8, 2009 to make a statement under Section 33(1) Himachal Pradesh General Sales Tax Act, 1968 to the Hon'ble High Court of Himachal Pradesh for deciding the substantial question of law involved in the matter. The amount claimed as sales tax is Rs. 0.23 crore. The matter is currently pending.

(s) The Assistant Commissioner Tax, Pithoragarh vide his order dated July 4, 2008 imposed a tax of Rs. 0.04 crore against our Company. The assistant commissioner held that the turn over of Rs. 0.55 crore towards material issued by our Company to the contractor be treated as sale. Aggrieved by the abovementioned order of the assistant commissioner our Company has filed an appeal (No. 23 of 2008) dated September 12, 2008 before the Commissioner of Commercial Tax, Dehradun. The matter is currently pending.

(t) Mother India Constructions Private Limited has filed a writ petition (No. 14744 of 2008) against the State of Bihar and others making our Company one of the respondents before the High Court, Patna, Bihar. Mother India Constructions Private Limited has prayed before the court for a direction to be passed against our Company and others that VAT which is being deducted by our Company and other respondents at the rate of 4% of the entire bid amount submitted by them for various contracts should not be deducted. Our Company has filed a counter affidavit dated February 10, 2009. The matter is currently pending.

Civil Cases

There are 146 civil proceedings filed against our Company and the aggregate value of the claims against us in these proceedings is approximately Rs. 61.10 crore, along with interest. Further, a special leave petition has been filed against NHDC where our Company has been impleaded as a party. The details of proceedings involving significant claims are provided below.

(a) Bhasin Associate Limited instituted arbitration proceedings against our Company alleging that several changes amounting to Rs. 0.14 crore were made in the agreed work plan because of which it had to incur extra expenses in relation to the construction of the silt ejector power channel and escape channel at the Tanakpur power station. Bhasin Association Limited, in the meantime approached the District Judge, praying for a decree of permanent injunction restraining our Company from using any item or part of the plant, machinery, equipment at the project etc. as well as from creating any obstruction in removal of the same.

(b) Texmaco Limited filed a suit (1439 of 1991) in the Delhi High Court against our Company for recovery of approximately Rs. 0.47 crore. The plaintiff claimed that the above-mentioned amount was deducted from the final bill presented by it post completion of the work executed under a contract for design, supply, erection and commissioning of spillway radial gates of the Salal power station. The suit has been filed in the High Court, New Delhi and our Company counterclaimed Rs.0.39 crore.

(c) Jai Prakash Associates Limited filed a writ petition (OWP 935 of 2007) in the Jammu & Kashmir High Court against our Company under Article 226 of the Constitution of India read with Article 103 of the constitution of Jammu & Kashmir challenging the imposition of works contract tax and has accordingly claimed Rs. 29.49 crore along with interest.

(d) Jai Prakash Associates Limited filed a writ petition (OWP 936 of 2007) in the Jammu & Kashmir High Court against our Company under Article 226 of the Constitution of India read with Article 103 of the constitution of Jammu & Kashmir challenging the imposition of works contract tax and has accordingly claimed Rs. 13.70 crore along with interest.

(e) The Divisional Forest Office filed a suit (No. 28 of 2002) against our Company before the District Judge, Sikkim, claiming Rs. 14.99 crore as compensation, and praying for an eviction and an injunction against our Company and other suitable relief on account of diversion of forest land and dumping of debris in river Teesta.

(f) NBA filed a special leave petition (SLP No. 935 of 2007) dated January 2, 2007 against NHDC and our Company (through the Chairman, Mr. S.K. Garg) in the Supreme Court, against the order dated September 8, 2006 of the Madhya Pradesh High Court, in writ petition No 3022 of 2005, which among other things, permitted NHDC to raise the water level of the Indira Sagar Reservoir up to 260 metres. NBA has prayed for a stay on the final judgment and order dated September 8, 2006 of the Madhya Pradesh High Court in W.P. No. 3022 of 2005 for the filling of the Indira Sagar reservoir beyond 245 metres and to restrict NHDC from taking coercive steps of eviction against the oustees until the time the rehabilitation and resettlement process is complete. The next hearing of the special leave petition is on August 28, 2009.

(g) 48 separate writ petitions have been filed against our Company in the High Court, Guwahati in relation to the Loktak Project. For instance, the Integrated Joint Farming Committee, a registered society, filed a writ petition (W.P. No. 1026 of 2001) in the High Court, Guwahati praying for a direction to our Company to pay adequate compensation to landowners affected by the Loktak project. The High Court, Guwahati by order dated March 15, 2005 directed our Company and others, to hold an inquiry to assess the damage alleged to be caused due to the Loktak project. Further, the Integrated Joint Farming Committee filed a contempt proceeding (No. 182 of 2006) in the High Court, Guwahati against our Company and others on the ground that the directions of the High Court, Guwahati were not complied with within the stipulated period. No monetary claim against our Company has been quantified in these 48 writ petitions.

Land acquisition related Litigation

In addition to the compensation hearings conducted by the concerned Land Acquisition Officers and District Collectors under the Land Acquisition Act, there are 416 court proceedings relating to land acquired by our Company in relation to various projects. A majority of these proceedings relate to demands for enhanced compensation by oustees. The aggregate value of the claims filed against us is approximately Rs. 81.84 crore. The project wise details of these proceedings are as follows:

I. Chamera I

There are 120 proceedings pending before various forums, primarily filed to challenge the compensation that has been paid by the concerned Land Acquisition Officer relating to the land acquired for the project. The aggregate claimed amount is Rs. 4.06 crore.

Of the 120 proceedings pending:

(a) There are 24 special leave petitions pending in the Supreme Court, filed by our Company challenging orders of the Himachal Pradesh. High Court which upheld the decisions of the District Court and permitted the award of higher compensation to certain oustees. Notices have been issued in all these petitions by the Supreme Court and are pending adjudication.

There are 5 proceedings pending in the Himachal Pradesh High Court. Our Company filed an appeal in these proceedings in the Himachal Pradesh High Court challenging the order of the District Judge, Chamba, awarding higher compensation to the oustees in these proceedings.

Our Company, prior to filing an appeal/special leave petition before the appellate forums deposited the higher compensation amount awarded by the District Judge, Chamba, aggregating approximately Rs. 1.6 crore, in the Himachal Pradesh High Court or the Court of the District Judge, Chamba, respectively in the above cases.

(b) There are 87 proceedings pending before the Collector, Land Acquisition, Chamba, against the Land Acquisition Officer and our Company, wherein oustees have alleged that the compensation paid for their properties was assessed incorrectly by the Land Acquisition Officer and approached the Collector, Land Acquisition, Chamba, claiming higher compensation, similar to that decided in the earlier 27 proceedings. The oustees claimed compensation aggregating approximately Rs. 2.33 crore.

(c) Mr. Hari Nath Sharma, a land owner, has filed a suit before the Civil Judge, Dalhousie, claiming that our Company is in wrongful possession of his property and praying for a declaration that the suit property be reinstated to him and that he be declared the rightful owner of the said property.

(d) There are two proceedings pending in the Court of the Divisional Commissioner, Dharamshala, filed by our Company against an order of land eviction issued by the Municipal Committee of Dalhousie. In addition, there is one case filed against our Company, in the Court of the Civil Judge, Chamba claiming compensation as certain water pipes owned by our Company pass through this property.

II. Parbati II

There are 80 proceedings pending before various forums challenging the compensation that has been paid by the concerned Land Acquisition Officer relating to the land acquired for the project. The aggregate amount claimed is approximately Rs. 7.31 crore.

Of the 80 proceedings pending,

(a) There are 30 proceedings pending in the Himachal Pradesh. High Court. Our Company filed an appeal in these proceedings in the Himachal Pradesh. High Court challenging the order of the District Judge, Kullu awarding higher compensation to the oustees in these proceedings. Our Company, prior to filing an appeal in the Himachal Pradesh High Court deposited the higher compensation amount awarded by the District Judge, Kullu, aggregating approximately Rs. 1.58 crore, in the Himachal Pradesh High Court or the Court of the District Judge, Kullu respectively.

(b) There are 49 proceedings pending in the Court of the Additional District Judge, Kullu, against the Land Acquisition Officer and our Company, wherein oustees have alleged that the compensation paid for their properties has been assessed incorrectly by the Land Acquisition Officer, and have approached the District Judge, Kullu, claiming higher compensation. Our Company has ascertained that the oustees have claimed compensation aggregating approximately Rs. 5.73 crore.

(c) Khubram and 35 other have filed a regular first appeal in January 2006, against our Company before the High Court of Himachal Pradesh for enhancement of land compensation for their lands acquired for Parbati Hydroelectric Project-II. The High Court vide its order dated September 3, 2008 enhanced the compensation. Aggrieved by the order dated September 3, 2008 our Company has filed a special leave petition (No. 4410-4445 of 2009) dated December 8, 2008 before the Supreme Court. The matter is currently pending.

III. Parbati III

There are 184 proceedings pending before the District Judge, Kullu against the Land Acquisition Officer and our Company, wherein oustees have alleged that the compensation paid for their properties has been assessed incorrectly by the Land Acquisition Officer, and have approached the Court of the District Judge, Kullu, claiming higher compensation. The claim amounts in these cases have not been individually demanded by the oustees. However, our Company has quantified these claims as aggregating approximately Rs. 70.06 crore.

IV. Residuary Land Cases

Our Company is involved in 32 other land related cases as a result of land acquired or purchased for our projects located in Uri power station, Uri hydroelectric project II, Salal, Kishanganaga, Chutak, Dhauliganga and Dulhasti wherein claims for damages have been filed against our Company for certain losses occurred during construction undertaken by our Company for various projects. The aggregate claim in these cases is Rs. 0.41 crore.

Labour related Litigation

There are 171 labour-related legal proceedings, filed by our former or current employees, contract labourers employed by contractors for carrying out works in our Company and trade unions. These proceedings primarily relate to claims for regularisation of service, promotion, termination, superannuation etc. The aggregate claim against us in these proceedings is approximately Rs. 1.10 crore. The details of the significant proceedings are provided below.

(a) Mr. S. C. Sharma filed a writ petition (No. 354 (sh) of 2005) in the High Court, Guwahati against the Union of India, our Company and others, claiming that he had applied for the post of our Chairman and Managing Director and that after receiving clearance from the Central Vigilance Commission, his candidature was not considered for the post. Mr. Sharma has prayed, among other things, that the High Court, Guwahati call the records and issue a show cause notice to the respondents as to why a writ of *mandamus* should not be issued to recall and cancel certain orders of the Central Vigilance Commission. Mr. Sharma has also prayed for a permanent injunction and an interim order restraining the respondents from considering the case of any other candidate for appointment to the post of our Chairman and Managing Director, and an interim order to provisionally appoint him as our Chairman and Managing Director. The High Court, Guwahati by order dated January 28, 2005 directed the respondents to not consider the case of any other candidate without considering Mr. Sharma's case. The aforesaid interim order of the High Court was challenged by the Union of India and our Company through a special leave petition in the Supreme Court, in which the Supreme Court struck down the said interim order of the High Court, Guwahati. The matter is currently pending.

(b) Mr. A.K. Tembore and 37 of our former employees have filed a writ petition (CWP No. 18622 of 2005) against our Company and others in the Punjab and Haryana High Court, on the ground that our Company has discriminated against the petitioners while applying the qualifying service period for promotion from grade E-2 to grade E-3. The petitioners have prayed in the Punjab and Haryana High Court to quash the order dated March 29, 2005 issued by our Company whereby their claims for promotion by granting relaxation were declined. The matter is currently pending.

(c) Mr. Pratap Singh and 33 others have raised an industrial dispute (No. 1292 of 1995) against our Company in the Labour Court in Karkardooma, Delhi alleging that their termination from the post of security guard was illegal, and seeking permanent employment in our Company as security guards. The matter is currently pending.

(d) NHPC Officers Association has filed a writ petition (No. 5634 of 2009) dated April 15, 2009 before the High Court of Punjab and Haryana, Chandigarh against our Company and Chairman and Managing Director of our Company praying for a relief to quash the order dated March 27, 2009 by which modifications in the promotional policy and the rules for our Company's executives had been made. The matter is currently pending.

(e) Sujit Kumar and seven others have filed a writ petition (No. 9065 of 2009) dated June 3, 2009 before the High Court of Punjab and Haryana, Chandigarh against our Company, Director (Personnel) of our Company and Chief of HR (establishment) praying for quashing of the condition that the resignation of the petitioners be accepted by our Company on furnishing the undertaking that after resignation, petitioners will not join any other public sector undertaking. The matter is currently pending.

(f) Suresh Kumar Patel has filed a writ petition (No. 9345 of 2009) dated June 16, 2009 before the High Court of Punjab and Haryana, Chandigarh against our Company, Director (Personnel) of our Company and Chief of HR (establishment) praying for quashing of the condition that the resignation of the petitioners be accepted by our Company on furnishing the undertaking that after resignation, petitioners will not join any other public sector undertaking. The matter is currently pending.

Motor Accident Claims Related Litigation

There are 15 cases pending before the Motor Accident Claims Tribunal involving an aggregate sum of approximately Rs. 2.24 crore.

(a) Anuradha, w/o Dharampal Dogra has filed a petition dated June 10, 2009 against New India Assurance and our Company before the Motor Accident Claims Tribunal, Chamba claiming a compensation of Rs. 0.70 crore on the account of an accident dated March 3, 2009, which resulted in the death of her husband. Our Company is in the process of filing a reply. The matter is currently pending.

Arbitration Proceedings

There are 81 arbitration proceedings filed against our Company and the aggregate value of the claims against us in these proceedings are approximately Rs. 1,147.29crore, USD 0.06 crore and CAD 0.15 crore, plus interest.* The details of the arbitration proceedings involving significant claims, i.e., exceeding a monetary value of Rs. 0.25 crore are provided below.

** 1 USD= Rs. 48.64 as on June 30, 2009 (Source: www.oanda.com)*
1 CAD= Rs. 42.10 as on June 30, 2009 (Source: www.oanda.com)

(a) Continental Constructions Limited instituted arbitration proceedings against our Company with respect to alleged non payment of certain dues in respect of a contract with our Company, dated October 1, 1985. The claims pertain to payment of final bills for execution of certain works by Continental Constructions Limited under the aforesaid agreement. Continental Constructions Limited claimed compensation amounting to approximately Rs. 34 crore, excluding interest.

(b) Ali Mohammed Baba and Sons instituted arbitration proceedings against our Company in relation to alleged non payment for certain works executed pursuant to a contract dated September 14, 1989, entered into with our Company. The sole arbitrator selected pursuant to the contract had, through an award dated April 30, 2003, awarded Rs. 0.62 crore to Ali Mohammed Baba and Sons. Our Company filed an objection petition dated January 3, 2004 in the Delhi High Court, praying that the arbitral award be quashed.

(c) Texmaco Limited instituted arbitration proceedings against our Company claiming compensation of approximately Rs. 1.05 crore, plus interest, on account of escalation in project cost due to a revision in basic drawings. The sole arbitrator dismissed Texmaco Limited's claim, through an award dated January 30, 1997, pursuant to which Texmaco

Limited filed an arbitration suit (Suit No. 713-A of 1997) in the Delhi High Court for setting aside the arbitral award.

(d) HCC instituted two arbitration proceedings against our Company claiming certain payments on account of final bills due to deviations and rise in minimum wages pursuant to a works contract entered into with our Company for the construction of a power tunnel and power house. HCC claimed approximately Rs. 23.03 crore and Rs. 14.56 crore, excluding interest, for construction of power tunnel and power house respectively. Our Company filed a counterclaim of Rs. 9.07 crore and Rs. 4.21 crore for construction of power tunnel and power house respectively on account of recoveries due to the materials at site account.

(e) HCC instituted arbitration proceedings against our Company, claiming compensation of approximately Rs. 1.84 crore excluding interest on account of alleged non-payment of price variation in relation to works executed pursuant to a contract dated February 19, 1986 entered into between HCC and our Company. The arbitrator had through an award dated December 21, 1996, dismissed HCC's petition. HCC challenged the arbitral award by filing a suit (Suit No. 554 and 1192 of 97) in the Delhi High Court.

(f) HCC instituted an arbitration proceeding against our Company pursuant to a contract dated December 10, 1985 entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. HCC claimed a compensation of approximately Rs. 2.0 crore, plus interest. The arbitrator had through an award dated December 21, 1996, dismissed HCC's claim. HCC has subsequently challenged the arbitral award by filing a suit (Suit no. 555/949-A of 1997) against our Company in the Delhi High Court.

(g) Continental Constructions Limited instituted an arbitration proceeding against our Company pursuant to a contract dated May 28, 1986 entered into with our Company alleging non payment of price variation dues on material issued for execution of works. Continental Constructions Limited claimed a compensation of approximately Rs. 1.06 crore plus interest. The arbitrator had through an award dated December 21, 1996, dismissed Continental Constructions Limited's claim. Continental Constructions Limited challenged the arbitral award by filing a suit (Suit no. 1111-A of 1997) against our Company in the Delhi High Court.

(h) Continental Constructions Limited instituted an arbitration proceeding against our Company pursuant to a contract dated October 1, 1985 entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. Continental Constructions Limited claimed compensation of approximately Rs. 1.06 crore plus interest. The arbitrator had through an award dated December 21, 1996, dismissed Continental Constructions Limited's claim. Continental Constructions Limited challenged the arbitral award by filing a suit (Suit no. 1110-A of 1997) against our Company in the Delhi High Court.

(i) Jai Prakash Industries Limited instituted an arbitration proceeding against our Company pursuant to a contract dated May 27, 1986 entered into with our Company alleging non payment of price variation dues on materials issued for execution of works. Jai Prakash Industries Limited claimed a compensation of approximately Rs. 6.47 crore, plus interest. The arbitrator had through an award dated December 21, 1996, dismissed Jai Prakash Industries Limited's claim. Jai Prakash Industries Limited has subsequently challenged the arbitral award by filing a suit in January 1997 against our Company in the Delhi High Court.

(j) Continental Constructions Limited instituted an arbitration proceeding against our Company pursuant to a contract dated October 1, 1985 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. Continental Constructions Limited has further claimed amounts towards the cost of labour on account of statutory provisions. The arbitrator, through award dated November 7, 1994, held in favour of Continental Constructions Limited. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2679 of 1994) in the Delhi High Court. The total sum claimed is not quantifiable.

(k) Continental Constructions Limited instituted an arbitration proceeding against our Company pursuant to a contract dated May 28, 1985 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. Continental Constructions Limited has further claimed towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through award dated November 7, 1994, held in favour of Continental Constructions Limited. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2678 of 1994) in the Delhi High Court. The total sum claimed is not quantifiable.

(l) HCC instituted an arbitration proceeding against our Company pursuant to a contract dated February 19, 1986 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. HCC has further claimed amounts towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through award dated December 21, 1996, held in favour of HCC. Our Company has subsequently challenged the arbitral award by filing a suit (Suit No. 2710 of 1994) in the Delhi High Court. The total sum claimed is not quantifiable.

(m) Jai Prakash Associates Limited instituted an arbitration proceeding against our Company pursuant to a contract dated May 07, 1986 entered into with our Company. The dispute relates to interpretation of a provision in the contract for determining the rates of extra items which were not present in the schedule of quantities forming part of the contract and for items where the quantities have exceeded 30% deviation limit. Jai Prakash Associates Limited has further claimed amounts towards the cost of labour on account of statutory provisions and additional work executed. The arbitrator, through award dated December 21, 1996, held in favour of Jai Prakash Associates Limited. Our Company challenged the arbitral award by filing a suit (Suit No. 2864 of 1994) in the Delhi High Court. The total sum claimed is not quantifiable.

(n) Karam Chand Thapar and Bros (CS) Limited instituted an arbitration proceeding against our Company pursuant to a contract (NH-Contracts CC/SL-II-001 dated March 7, 1990) entered into with our Company claiming payment of their final bill and compensation for an alleged breach of their contract amounting to Rs. 6.20 crore plus interest.

(o) Gammon India Limited instituted arbitration proceedings against our Company pursuant to a contract dated August 22, 1978 entered into with our Company. The dispute relates to alleged non-payment for certain construction work performed by Gammon India Limited under the aforesaid contract. The arbitral tribunal, by order dated January 4, 2005, has ruled in favour of the claimant and passed an award of Rs. 21.75 crore, plus interest. Our Company has subsequently challenged this award through a suit dated May 26, 2005, filed in the Jammu & Kashmir High Court.

(p) Sham Mahajan (India) instituted two separate arbitration proceedings against our Company, alleging non payment for escalation in the project costs, pursuant to a contract (NH/PHEP/CE-2/DB/PKG-60 and NH/PHEP/CE-2/DB/PKG-61 dated August 27, 2001) between Sham Mahajan (India) and our Company. Sham Mahajan (India) has in these two proceedings, claimed compensation of approximately Rs. 0.65 crore, and Rs. 0.92 crore, respectively, plus interest.

(q) Himachal Joint Venture instituted arbitration proceeding against our Company pursuant to a contract November 7, 2002, entered into with our Company, alleging a breach of its contractual obligations by our Company as a consequence of which its cash flows were weakened. Himachal Joint Venture claimed an aggregate compensation of approximately Rs. 134.0 crore, plus interest by way of compensation. By order dated July 14, 2007 the Arbitral tribunal by majority granted an award of Rs. 114.0 crore along with an interest @18% till the time of realisation of the amount. Our Company challenged the said award in the District court, Faridabad.

(r) Karam Chand Thapar and Bros (CS) Limited instituted arbitration proceeding against our Company pursuant to a contract dated March 7, 1990 with our Company, alleging non payment of monies for variation in steel weight. Karam Chand Thapar and Bros (CS) Limited claimed a compensation of approximately Rs. 1.13 crore, plus interest. The arbitrator through award dated November 22, 2002 held that most of Karam Chand Thapar and Bros (CS) Limited's claims are not arbitrable. Karam Chand Thapar and Bros (CS) Limited subsequently filed an application in the Delhi High Court (Arbitration petition objection no. 3 of 2004) against the above order. Karam Chand Thapar and Bros (CS) Limited's remaining claims are pending before the arbitrator. The application in the Delhi High Court is currently pending.

(s) Karam Chand Thapar and Bros (CS) Limited instituted an arbitration proceeding against our Company pursuant to a contract dated March 7, 1990 claiming compensation of Rs. 1.94 crore, plus interest as reparation of losses suffered on account of floods. The arbitrator, through award dated September 9, 2000, held in favour of Karam Chand Thapar and Bros (CS) Limited. Our Company challenged the arbitral award by filing a suit dated December 8, 2000, in the Jammu & Kashmir High Court which was subsequently transferred to the Delhi High Court.

(t) T.R. Gupta Industries Private Limited instituted arbitration proceeding against our Company pursuant to a contract dated February 5, 1986 entered into with our Company for the construction of barrage, head regulator and other works. T.R. Gupta Industries Private Limited claimed compensation of approximately Rs. 0.76 crore, plus interest on account of non-payment of dues. The arbitrator, through award dated March 24, 2006, held against T.R. Gupta Industries Private Limited. T.R. Gupta Industries Private Limited has subsequently challenged the arbitral award by filing an objection petition in the Delhi High Court.

(u) General Electric Canada Inc. and MIL Inc. instituted arbitration proceedings against our Company pursuant to the contract dated August 3, 1984 entered into with our Company claiming compensation on account of price variation of the contract price. The total amount claimed by General Electric Canada Inc. and MIL Inc. is approximately CAD 0.08 crore and CAD 0.07 crore plus interest, respectively. Our Company filed counterclaims of approximately CAD 0.006 crore and CAD 0.01 crore, against General Electric Canada Inc. and MIL Inc., respectively. The ICC arbitral tribunal, through award dated May 7, 1996, ruled in favour of General Electric Canada Inc. and MIL Inc. Our Company filed a petition in the Delhi High Court challenging the aforesaid award.

(v) Dev Denso Power Limited filed an arbitration petition before the District Judge, Pithoragarh against our Company, praying for the appointment of an arbitrator for adjudication of a dispute with our Company, valued at approximately Rs. 0.25 crore, plus interest.

(w) Our Company filed an application against Kajima Daewoo (joint venture) and others before the District Judge, Pithoragarh, challenging the award of the arbitrator dated November 11, 2006 against our Company in relation to the contract dated February 28, 2000 for Dhauliganga project for the civil works for dam and part head raised tunnel. The amount in dispute is approximately Rs. 1.40 crore.

(x) Our Company filed an application against Samsung Corporation (joint venture) and others before the District Judge, Pithoragarh, challenging the award of the arbitral tribunal dated November 11, 2006 in favour of our Company in relation to the contract for Dhauliganga project for the civil works at the power station and water ways. The amount in dispute is approximately Rs. 2.17 crore.

(y) Jai Prakash Associates Limited instituted an arbitration proceeding against our Company pursuant to a contract dated March 21, 2001 claiming approximately Rs. 4.07 crore along with an interest of 12% as reimbursement of deviated quantity of the backfill concrete in underground excavation in over breaks accepted due to geological conditions.

(z) Jai Prakash Associates Limited instituted an arbitration proceeding against our Company pursuant to a contract dated March 21, 2001 claiming approximately Rs. 41.40 crore up to September 2007 and thereafter along with an interest of 12% towards reimbursement of additional payment to the labour due to abrupt price in minimum wages for the work executed.

(aa) K.K. Chibber instituted an arbitration proceeding against our Company pursuant to agreement dated July 2, 2004 claiming approximately Rs. 0.52 crore as reimbursement for shifting machines, idle charges for labours machinery, escalation etc. with 12% interest.

(bb) Vijay Kumar Sharma instituted arbitration proceedings against our Company in relation to contract of the work of 7/10 metre by pass road from Larji to proposed new bridge site at Behali of Parbati project, Himachal Pradesh. The amount in dispute was approximately Rs. 1.84 crore along with 18% interest. The Tribunal vide its award dated September 1, 2008 awarded a sum of Rs. 1.52 crore against our Company. Aggrieved by the award our Company has filed an objection petition (No. 53 of 2008) dated December 23, 2008 before the High Court Himachal Pradesh. The matter is currently pending.

(cc) Prem Power Constructions Private Limited filed an application in the Delhi High Court for appointment of arbitrator. The dispute relates to construction of 132 KV S/C Transmission line between Geylephug Tintibi-Nanglam, Kurichhu project, Bhutan and Teesta - V. The High Court vide order dated December 11, 2008 appointed Justice Vijendra Jain as the arbitrator to decide the dispute between the parties. The arbitrator has entered into reference and directed the parties to file statement of claim and replies. Prem Power Constructions Private Limited has not filed any claims before the arbitrator. The matter is currently pending.

(dd) Joint Venture of Prem Power Constructions Private Limited and Bhola Singh Jaiprakash Construction Limited have instituted an arbitration proceeding against our Company in relation to the contract for the works of construction of balance civil works of Kambang (3x2 MW) hydro project, Arunachal Pradesh and claiming Rs. 40.10 crore.

(ee) Progressive Construction Limited filed an application in the Delhi High Court for appointment of arbitrator. The dispute relates to the contract for the construction of power channel-package-III from reduced distance 4,032 metres to 52,000 metres of Tanakpur project between the contractor and his sub-contractor Sharma & Associates Private Limited. The amount in dispute is Rs. 11.13 crore.

(ff) Jai Prakash Associates Limited instituted an arbitration proceeding dated October 11, 2006 against the Company before the Arbitral Tribunal, New Delhi pursuant to a contract dated March 21, 2001 claiming approximately Rs. 7 crores, including interest as reimbursement of additional costs incurred on account of cement variation in concrete/shotcrete for Teesta - V. The Arbitral Tribunal comprising of three arbitrators passed a unanimous award of Rs. 4.51 crore dated May 10, 2008, partly allowing the Jai Prakash Associates Limited's claim at an analysed rate of Rs. 280 per bag against the claim of Rs. 328 per bag for concrete and Rs. 335 against a claim of Rs. 393 per bag for shotcrete for the quantity of cement consumed in excess of the nominal contents of cement. Our Company filed an objection petition dated August 6, 2008 before the District Judge, Faridabad. The matter is currently pending.

(gg) Patel Engineering Limited instituted an arbitration proceeding against our Company pursuant to contract dated November 21, 2003 claiming Rs. 44.45 crore along with interest as compensation towards the dispute of work, extra payment for loose volume of transporting embankment material (reference I) and Rs. 0.27 crore along with interest (reference II), as payment for additional lead for boulder filling.

(hh) R.S. Construction instituted an arbitration proceeding against our Company pursuant to contract No. 6 dated August 6, 2005 for construction of temporary executive and non-executive field hostel-office building and stores at Behali, Spangni for Parbati project stage-III, Himachal Pradesh. claiming Rs. 1.15 crore towards compensation for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work. The Arbitrator vide award dated December 8, 2008 awarded an amount of Rs. 0.23 crore against our Company. Aggrieved by the award our Company has filed an objection petition (No. 19 of 2009) dated March 9, 2009 before the High Court, Himachal Pradesh. The matter is currently pending.

(ii) Jai Prakash Associates Limited filed an application under the Arbitration and Conciliation Act, 1996 in the Delhi High Court for the appointment of arbitrator after appointing their nominee arbitrator pursuant to the contract dated July 18, 1999 for execution and completion of Chamera Stage-II in Chamba read with the contract for commissioning the project ahead of schedule. The contractors claimed compensation of Rs. 30 crore. Our Company is contesting the claim and filed a special leave petition in the Supreme Court, where the matter is currently pending.

(jj) Ayush Construction Private Limited, Chandigarh instituted an arbitration proceeding against our Company pursuant to the contract for construction of VIP guest house at Nagwain, Package No. T-77, for Parbati project stage – III, claiming a compensation of Rs. 0.33 crore for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work.

(kk) Anil Gupta instituted an arbitration proceeding against our Company pursuant to a tender letter for construction of 7/10 metres wide road from RD 13,040 metres to 14,110 metres, for Parbati project stage – II dated January 17, 2001, claiming compensation of Rs. 1.11 crore for not providing the work site, occurrence of flash flood and losses suffered due to prolongation of work.

(ll) Patel Sew JV has initiated an arbitration proceeding against our Company pursuant to contract no. NHPC/CCW/0603/19(01)/05/1160 dated September 11, 2002 for construction of civil and hydro-mechanical works for diversion dam and part HRT (lot PB – II) of Parbati project stage – II. The arbitral tribunal has been constituted and the statement of claims is yet to be filed. As per notice invoking the arbitration, the tentative claim has been indicated as Rs. 218.11 crore.

(mm) Shah & Company filed an arbitration claim before the arbitral tribunal in relation to the Uri-II project for demanding the extra carriage, idle charge of men and machinery for the construction of approach road to surge shaft area. The contract was executed by the parties through award letter no. NH/UHP-II/1&1C/05/CW-650 dated May 28, 2005. The amount involved in the dispute is Rs. 0.47 crore.

(nn) Chenab Construction Company filed a petition (No. AA36 of 2005) dated December 19, 2005 against our Company under the Jammu & Kashmir Arbitration and Conciliation Act, 1997 for appointment of arbitrator and for the reference of dispute in terms of the contract between the parties for construction works and re-launching of Kanthan log boom to be carried out Salal project. Chenab Construction Company claimed Rs. 0.53 crore, alleging that our Company had withheld the payment.

(oo) Jai Prakash NCC Tunnelling JV instituted arbitration proceedings against our Company pursuant to two separate contracts dated April 9, 1997 entered into with our Company alleging the non-payment for extra works executed as a consequence of deviation and claimed Rs. 36.02 crore and Rs. 9.61 crore aggregating to Rs.45.66 crore. The arbitral tribunal had rejected the second claim of Rs. 9.61 crore. However, with respect to the claim of Rs. 36.02 crore, instead of allowing the said amount the arbitrator allowed the contractor to be paid an analysed rate derived from the actual input at 100% as not to allow any punitive effect upon them in regard to the remaining works earlier deserted by other agencies involved by award dated April 19, 2008 and clarification order dated May 16, 2008. Our Company filed an application (O.M.P. No. 382 of 2008) dated July 17, 2008 in the High Court, New Delhi under the Arbitration and Conciliation Act, 1996 to set aside the award granted by the arbitral tribunal dated April 19, 2008 and the modification order dated May 16, 2008.

(pp) Abdul Qayoom Sheik filed an application (No. 14 of 1995) dated September 9, 1995 under the Arbitration Act, 1940 for appointment of arbitrator, before the Additional District Judge, Jammu against our Company, alleging non payment of the contract, awarded to him for the construction of single room hutments including sanitary fittings for 102 units. The petitioner claims to have constructed 58 hutments completely and 12 hutments up to the plinth level and 8 hutments up to the roof level. The Additional District Judge by order dated February 29, 1996 dismissed the petition. Aggrieved by the order dated February 29, 1996 the applicant appealed in the High Court, Jammu by Civil First (I) Miscellaneous Appeal 82 of 1996 which allowed the appeal on June 29, 1996 and remanded back the case for adjudication. The Additional District Judge by order dated February 27, 1999 dismissed the application. Aggrieved by the order the applicant filed Civil First (I) Miscellaneous Appeal No. 124 of 1999 in the High Court, Jammu who rejected our Company's plea stating the appeal was not time barred. Aggrieved by the order dated November 3, 2006 our Company filed a letters patent appeal in the Jammu & Kashmir High Court. The claimed amount is Rs. 0.45 crore.

(qq) Omaxe Limited instituted an arbitration proceeding dated November 17, 2008 against our Company for the dispute with regards to the construction of a multi story building at the NHPC Residential Complex, Faridabad (Package – III) alleging illegal recovery made by our Company amounting to Rs. 1.26 crore. The matter is currently pending.

(rr) Jai Prakash Associates Limited has instituted arbitration proceedings dated April 24, 2009 against our Company claiming for costs incurred on account of extension of bank guarantee, insurance policy, recovery of mobilisation and machinery advance and rate of reinforced steel under the contract (LOT TT-IV) for Teesta – V project amounting to Rs. 32.43 crore. The matter is currently pending and our Company is in the process of filing the reply.

(ss) Jai Prakash Associates Limited has instituted arbitration proceedings dated June 16, 2009 against our Company claiming for costs incurred on account of payment of unrealised cost due to reduced progress of work under the contract (LOT TT-II) for Teesta – V project amounting to Rs. 123 crore. The matter is currently pending and our Company is in the process of filing the reply.

(tt) Patel Engineering Limited has instituted arbitration proceedings dated January 16, 2009 against our Company for claims on account of interest on mobilisation advance, deemed approved amount, claim for removal of muck and concrete and access discount of interest amounting to Rs. 9.33 crore and USD 0.06 crore under the contract for Sewa Hydroelectric Project – II. The matter is currently pending and our Company is in the process of filing the reply.

(uu) Bahadur Singh Patni had filed a petition (No. 18 of 2007) dated October 28, 2007 against our Company in respect of Tanakpur Power Station before the High Court of Uttarakhand for the appointment of the arbitrator. The High Court vide its order dated November 6, 2008 appointed Rajesh Tandon, former judge to act as the sole arbitrator. The arbitrator directed the parties to file the statement of claim and reply. Our Company has filed its reply against the statement of claim filed by Bahadur Singh Patni amounting to Rs. 0.62 crore. The matter is currently pending.

(vv) Patel Engineering Limited has instituted arbitration proceedings dated April 17, 2009 against our Company alleging non payment for idling during strike and non availability of land due to forest clearance in relation to contact entered for execution of civil works (LOT – TL-I) of Teesta Low dam Hydroelectric Project – III. Patel Engineering Limited has claimed an amount of Rs. 25.92 crore. Our Company is in the process of filing the reply. The matter is currently pending.

(ww) Jai Prakash Associates Limited has instituted arbitration proceedings dated October 18, 2008 against our Company alleging non payment of unrealised costs due to reduced progress of work in relation to the contract for execution of underground power house, surge shaft, pressure shaft, part head race tunnel including adit V switch yard and contract package TT- IV with respect to Teesta – V project. Jai Prakash Associates Limited has claimed an amount of Rs. 24.04 crore. The matter is currently pending.

(xx) Jai Prakash Associates Limited has instituted arbitration proceedings dated April 25, 2009 against our Company alleging that the payment incurred on the account of extension of performance bank guarantee, insurance policy, recovery of mobilisation and machinery advance and rate reinforced steel under the contract. Jai Prakash Associates Limited has claimed an amount of Rs. 7.85 crore. The matter is currently pending.

(yy) Gammon India Limited has instituted arbitration proceedings dated December 16, 2008 against our Company alleging the non payment of unrealised costs due to reduced progress of work due to geological reasons in relation to contract entered for construction of head race tunnel with respect of Teesta – V project. Gammon India Limited has claimed an amount of Rs. 243.04 crore. The matter is currently pending.

(zz) Oriental Engineers had instituted arbitration proceedings dated April, 2007 against our Company alleging payment for work of earth filling at railway siding at Senchoa with respect to the Subansiri Lower Hydroelectric project. Oriental Engineers had claimed an amount of Rs. 0.98 crore. The arbitrator vide award dated August 29, 2008 awarded an amount of Rs. 0.62 crore. Our Company has filed a petition (No. 669 of 2008) before the District Judge, Kamrup, Guwahati, challenging the award. The matter is currently pending.

(aaa) Girdhari Lal has filed an arbitration application (No. 7 of 2007) before the High Court of Jammu & Kashmir, Jammu against our Company for the appointment of arbitrator to adjudicate the dispute alleged to have arisen between the parties with respect to the contract for the work of slope treatment between intake structures at dam site (T330 to 105 M) downstream. Girdhari Lal has claimed an amount of Rs. 0.36 crore. The matter is currently pending.

(bbb) Patel Engineering Limited has instituted arbitration proceedings before the Arbitral Tribunal against our Company with respect to the contract awarded for construction of surge shaft, pressure shaft, penstock, switchyard and associated work (LOT SW-II). Patel Engineering Limited has claimed an amount of Rs. 5.05 crore on account of idling of manpower and machinery during the initial period of the contract. The matter is currently pending.

Pending applications under the RTI Act

Applications for information from any public authority in India can be submitted under the RTI Act, to the Public Information Officer ("**PIO**") of such public authority with a nominal application fee. The PIO is expected to reply within 30 days, else the application is deemed refused. The applicant can ordinarily submit an appeal within 30 days from the receipt of the public authority's response, before a designated officer senior in rank to the PIO in such public authority (the First Appellate Authority, or "**FAA**"). In certain exceptional cases, the PIO is given additional time to furnish the requested information. An appeal may be filed on grounds including non-receipt of sufficient information or rejection of the application. A further appeal against the directions of the FAA may be submitted before the Central Information Commission and State Information Commission. Presently, there are 30 RTI applications being processed by our Company's PIO, and two RTI applications pending before our Company's FAA. The details of the latter are provided below. No RTI applications are presently pending before the Central Information Commission.

(a) Mr. Dinesh Kumar Gupta had filed an application dated May 5, 2009 before the PIO seeking information vide letter dated April 28, 2009 with regards to effective date of the recovery of payment made to him by the finance department of our Company towards conveyance allowance for physically handicapped employees. The above application was forwarded to the PIO and after obtaining his comments was disposed of vide PIO letter (No. NH/CS/RTI/100/2009/621) dated June 15, 2009. Dinesh Kumar Gupta has filed an appeal (No. NHPCL/A/2009/00029) dated July 14, 2009 alleging that no information was furnished to him. The matter is currently pending.

(b) Shashi Kumar Singh has filed an RTI application dated May 29, 2009 seeking information vide letter dated February 17, 2007. The above application was registered in the PIO's office and after collecting the information from the PIO's office at Baira Suil power station and vide letter dated June 5, 2009 was furnished to the Shashi Kumar Singh. He filed an appeal (No. NHPCL/A/2009/00031) dated July 5, 2009 that the PIO has not furnished the complete information in accordance with information requested with his application.

C. LITIGATION FILED BY OUR COMPANY

Criminal Cases

There are two criminal proceedings filed by our Company, where no monetary claim has been made against our Company. The brief details are provided below.

(a) Our Company filed two first information reports against Mr. Jhabe Ram before the Station House Officer, Banjar, Kullu, Himachal Pradesh, on the ground of disruption of our Company's construction activities at its project site. The matters are currently pending in the Chief Judicial Magistrate, Kullu. Following the complaint, the State of Himachal Pradesh filed two cases (Nos. 195-I of 2006 and 195-I of 2007) against Mr. Jhabe Ram, which are currently pending.

Environmental Litigation

There are three environment related legal proceedings initiated by our Company, the details of which are provided below.

(a) Our Company filed a writ petition (W.P. No. 405 of 2006) in the Himachal Pradesh High Court, challenging the notifications dated July 16, 2005 and September 9, 2005 issued by the Himachal Pradesh Government, directing our Company to release and maintain 15% of the minimum flow observed in the lean seasons into the Ravi river.

(b) Our Company filed a contempt petition dated December 12, 1998 against Laxmi Dyeing and Printing Mills in the Faridabad District Court, on the ground that Laxmi Dyeing and Printing Mills has not observed the *ex parte* order of the Faridabad District Court October 31, 1998 directing *status quo,* which was issued in the suit instituted by Laxmi Dyeing and Printing Mills against our Company seeking injunctions against our Company trespassing or dumping debris on the suit property in Faridabad.

(c) Our Company filed an interim application in W.P. No. 337 of 1995, praying to be impleaded as a party in the writ petition and further praying that we be permitted to implement the Pakal Dul project in accordance with the clearance granted by the Standing Committee of the NBWL and to implement the above project by de-reserving 386.186 hectares of forest land from the existing Kishtwar High Altitude National Park. The Supreme Court by interim order dated November 13, 2000 in W.P. No. 337 of 1995 filed by the Centre for the Environmental Law, WWF-I against the Union of India and others had ordered no de-reservation of forests/sanctuaries. However, the said order was modified by the Supreme Court order dated May 9, 2002 to the effect that no permission under the Wildlife Act, 1972 should be granted without the Standing Committee's approval.

CERC Proceedings

Our Company filed 21 proceedings in relation to tariff orders issued for some of our power stations, details of which are provided below.

(a) Our Company filed a petition (47 of 2005) before the CERC for approval of the tariff proposal in respect of Uri – I for the period from April 1, 2004 to March 31, 2009. The CERC, by order dated May 9, 2006, allowed our tariff proposal with modification. Our Company has also filed an appeal (131 of 2006) before the ATE against the above order.

(b) Our Company filed an appeal (FAO 1781 of 2001) in the Punjab and Haryana High Court against the CERC order dated April 7, 2000, through which our Company's petition seeking a reduction in the normative availability for calculation of incentive from 90% to 85% on the basis of the National Hydro Power Policy issued by the GoI was rejected.

(c) Our Company filed two separate appeals (Nos. 130 and 138 of 2006) before the ATE challenging the CERC's orders dated May 9, 2006 (in petition no. 197 of 2004 and petition no. 175 of 2004, respectively) through which the CERC has determined the tariff in respect of the Salal and Rangit projects for the period from April 1, 2004 to March 31, 2009.

(d) Our Company filed an appeal (163 of 2006) before the ATE against the CERC's order dated May 9, 2006 in petition no. 30/2005 through which the CERC has determined the tariff of the Tanakpur power station for the period from April 1, 2004 to March 31, 2009.

(e) Our Company filed an appeal (No. 84 of 2007) before the ATE against the CERC's tariff order dated May 9, 2006 (tariff petition No. 39 of 2005) in respect of the Chamera project (Stage-I). The appeal has been filed on the ground that CERC has not applied various provisions of the tariff regulation in respect of interest on loan, depreciation.

(f) Our Company filed a tariff petition (No. 107 of 2006) before the CERC for determination of tariff in respect of the Dhauliganga power station for the period November 1, 2005 to March 31, 2009. The CERC by order dated December 13, 2007 determined the tariff. Our Company has also filed an appeal before the ATE.

(g) Our Company filed an appeal (No. 274 of 2006) before the ATE against the CERC's tariff order dated October 4, 2006 (tariff petition no. 171 of 2004) through which the tariff of the Loktak project has been determined.

(h) Our Company filed a writ petition (No. 51 of 2008) in the Delhi High Court against the CERC challenging an amendment in the Tariff Regulation issued by CERC notification dated December 28, 2007 of the (Terms and Conditions of Tariff) Regulations, 2004 relating to, among other things, the amended method of calculation of the unscheduled interchanged charges payable in respect of hydroelectric generating units.

(i) Our Company filed four petitions (Nos. 51, 55, 56 and 57 of 2000) before the CERC. The CERC by order dated October 10, 2000 allowed the petitions of the Company. The Rajasthan Rajya Vidyut Prasaran Nigam Limited filed an appeal (SB Civil Miscellaneous Appeal (No. 1500 of 2002) in the Rajasthan High Court, challenging the CERC's order dated October 10, 2000, through which the CERC reduced the normative availability of the capacity charges from 90% to 85% in respect of our power projects.

(j) Our Company filed a petition (No. 7 of 2000) before the CERC to direct the SEBs, who were beneficiaries of our Company, to pay for secondary energy at the rate of primary energy. The CERC by order dated July 17, 2000 allowed the petition and determined the rate of secondary energy equal to the rate of primary energy. The Punjab SEB filed an appeal (FAO 2365 of 2000) against our Company, challenging the CERC's order.

(k) Our Company filed a petition (No. 59 of 2001) dated July 20. 2001 before the CERC. The CERC by order dated November 1, 2002 determined the tariff of Loktak project for the period from April 1, 2001 to March 31, 2004. The Assam State Electricity Board filed an appeal (No. 66 of 2003) against the CERC and our Company in the High Court, Guwahati challenging orders issued by the CERC dated November 1, 2002 and February 24, 2003 for increase in tariff in relation to the Loktak project for the period 2001-2004. The matter is still pending.

(l) Our Company filed a petition (No. 7 of 2000) dated January 28, 2000 before the CERC. The CERC by order dated July 17, 2000 allowed the petition and determined the rate of secondary energy equal to the rate of primary energy. The Haryana Vidyut Prasaran Nigam Limited filed an appeal (FAO 2594 of 2000) in the Punjab and Haryana High Court against our Company, challenging the CERC's order dated July 17, 2000.

(m) Our Company has filed a petition (No. 39 of 2009) dated February 19,2009 against Assam State Electricity Board and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Loktak Power Station. The matter is currently pending.

(n) Our Company has filed a petition (No. 24 of 2009) dated January 20, 2009 against Chairman, Punjab State Electricity Board ("**PSEB**") and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Uri Power Station. The matter is currently pending.

(o) Our Company has filed a petition (No. 53 of 2009) dated March 2, 2009 against Chairman, PSEB and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Tanakpur Power Station. The matter is currently pending.

(p) Our Company has filed a petition (No. 87 of 2009) dated April 23, 2009 against Chairman, PSEB and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Salal Power Station. The matter is currently pending.

(q) Our Company has filed a petition (No. 97 of 2009) dated May 4, 2009 against Chairman, PSEB and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Chamera Power Station-I. The matter is currently pending.

(r) Our Company has filed a petition (No. 71 of 2009) dated March 26, 2009 against Chairman, PSEB and others before the CERC under the Electricity Act, 2003 for determination of annual fixed capital on account of additional capitalisation and de-capitalisation during the financial year 2004-2005 and 2005-2006 with respect to the Bairasiul Power Station. The matter is currently pending.

(s) Our Company has filed a petition (No. 40 of 2009) dated May 25, 2009 against Chairman, West Bengal State Electricity Board and others before the CERC under the Electricity Act, 2003 for additional capital expenditure incurred during the financial year 2004-2005 and 2005-2006 on account of additional capitalisation with respect to the Rangit Power Station. The matter is currently pending.

(t) Our Company has filed a petition (No. 72 of 2009) dated March 28, 2009 against Chairman, PSEB and others before the CERC under the Electricity Act, 2003 for approval of generation tariff of Dulhasti Power Station for the period of April 7, 2007 to March 31, 2009.The Company has prayed that the annual fixed charges for the project for the above said period may be allowed to be billed for payment by all the respondents. The matter is currently pending.

Civil Cases

There is an aggregate of 16 proceedings filed by our Company involving an aggregate sum of approximately Rs. 2.45 crore. Details of the significant cases above Rs. 0.25 crore are provided below.

(a) Our Company filed an execution petition before the District Judge in Chamba, against Kishan Singh and Co. for recovery of the award of Rs. 0.34 crore passed in favour of our Company by the sole arbitrator.

(b) Our Company filed a suit in the Uttarakhand High Court against the Punjab and Sind Bank and Bhasin Associate Private Limited, claiming Rs. 0.46 crore as encashment of bank guarantee on account of termination of contract of Bhasin Associate Private Limited for the construction of silt ejectors, power channel, and other works at Tanakpur power station.

(c) Our Company filed a money suit against United India Insurance Company Limited before the civil judge, Siliguri for recovery of approximately Rs. 1.22 crore towards loss, damages, compensation and for other consequential relief.

(d) Our Company filed a suit (No. 2477 of 1991) in the Delhi High Court against Punjab and Sind Bank and others pertaining to encashment of bank guarantee on termination of the contact of Bhasin Associate Private Limited for the construction of silt ejector, power channel and escape channel at Tanakpur power station. The total financial implication of the case is 0.29 crore.

Arbitration Filed by our Company

There are eight arbitration claims instituted by our Company against third parties. The aggregate amount claimed by our Company in these cases is approximately Rs. 101.12 crore. The details of arbitration exceeding an amount of Rs. 0.25 crore are provided below.

(a) Our Company instituted arbitration against the Himachal Pradesh SEB for alleged non-payment of electricity dues amounting to approximately Rs. 35.20 crore. The sole arbitrator gave an award, dated November 11, 2006, against our Company. Our Company challenged the award in the Himachal Pradesh High Court.

(b) Our Company instituted arbitration against United India Insurance Company, claiming approximately Rs. 0.44 crore towards loss due to collapse of a bridge during its construction. The arbitral tribunal has awarded Rs. 0.44 crore to our Company, along with interest. United India Insurance Company challenged this award before the District Judge in Chandigarh. The District Judge, Chandigarh held that he had no territorial jurisdiction and returned the objection. United India Insurance Company filed the same in the Himachal Pradesh High Court at Shimla.

(c) Our Company instituted an arbitral proceeding dated November 14, 2006 against our contractor Ram Sayal & Sons Construction Private Limited for the recovery of Rs. 0.48 crore which could not be recovered from Ram Sayal's final bill towards security deposit, income tax and recovery of the materials issued to Ram Sayal & Sons Construction Private Limited for designing and construction of a double lane pre-stressed bridge over the river at the power house site near Sunid, Kullu, by the agreement dated October 16, 2000.

(d) Our Company instituted arbitration against Ram Avtar Gupta pursuant to the contract for construction of temporary quarters at Saing for the Parbati stage – II, claiming compensation for an aggregate of Rs. 0.83 crore for non provision of the work site, occurrence of flash flood and losses suffered due to prolongation of work. Ram Avtar Gupta made a counterclaim of Rs. 0.75 crore.

(e) Our Company instituted an arbitral proceeding dated August 2, 2008 before the Arbitral Tribunal, New Delhi, against the National Insurance Company for recovery of unsettled insurance claim under the open marine inland transportation insurance policy on account of damage to a shunt reactor while being transported from Mumbai port to Chamera-I. The total amount payable under the insurance policy was approximately Rs. 1.50 crore, of which the National Insurance Company released the sum of approximately Rs. 1.12 crore and the balance unsettled claim to be recovered is approximately Rs. 0.37 crore along with interest. Our Company filed a claim statement as directed by the arbitral tribunal.

(f) Our Company has instituted arbitration proceedings dated June 4, 2004 against the State of Manipur claiming a recovery of outstanding bills amounting to Rs. 26.76 crore for bulk purchase of power. The arbitrator vide his award dated July 30, 2007 awarded our Company the abovementioned award. The state of Manipur vide arbitration petition (No. 1 of 2007) dated July 30, 2007 has challenged the award before the District Judge, Manipur. The matter is currently pending.

(g) Our Company has instituted arbitration proceedings dated June 28, 2004 against the Power Development Department of the Government of Jammu and Kashmir regarding the settlement of outstanding dues amounting to Rs. 27.83 crore under the bulk power supply agreement. The arbitrator vide award dated September 17, 2008 passed the award in our favour along with an interest. Aggrieved by the award the State of Jammu and Kashmir has challenged the award by filing an objection petition (No. 51 of 2009) before the High Court, Delhi on December 11, 2008. The matter is currently pending.

(h) Our Company has instituted arbitration proceedings dated June 28, 2004 against the Power Development Department of the Government of Jammu and Kashmir regarding the settlement of outstanding dues amounting to Rs. 27.83 crore under the bulk power supply agreement. The arbitrator vide award dated September 17, 2008 passed the award in our favour along with an interest. Our Company challenged the award for the interest for the period prior to the starting of the arbitration proceedings amounting to Rs. 9.18 crore before the High Court, Delhi. The matter is currently pending.

Labour Related Litigation

There are five labour related writ petitions filed by our Company pending in the Delhi High Court.

(a) Our Company filed a writ petitions (W.P. Nos. 362 of 2006) dated November 16, 2005 in the Delhi High Court challenging the order dated March 31, 2005 of the Joint Chief Labour Commissioner who had made several modifications in our Company's certified standing order for our workmen, issued by the Labour Commissioner under the Industrial Employment (Standing Orders) Act, 1946, in an appeal was filed by the NHPC Employee Union, Parbati project.

(b) Our Company filed a writ petitions (W.P. Nos. 388 of 2006) dated November 30, 2005 in the Delhi High Court, challenging the order dated March 31, 2005 of the Joint Chief Labour Commissioner who had made several modifications in our Company's certified standing order for our workmen, issued by the Labour Commissioner under the Industrial Employment (Standing Orders) Act, 1946.

(c) Our Company filed a writ petitions (Nos. 6175 of 2006) dated March 23, 2006 in the Delhi High Court, challenging the order dated March 31, 2005 of the Joint Chief Labour Commissioner, who had made several modifications in our Company's certified standing order for our workmen, issued by the Labour Commissioner under the Industrial Employment (Standing Orders) Act, 1946, in an appeal was filed by the Workers Union, Dulhasti.

(d) Our Company filed a writ petitions (Nos. 379 of 2006) in the Delhi High Court, challenging the order dated March 31, 2005 of the Joint Chief Labour Commissioner, who had made several modifications in our Company's certified standing orders for our workmen, issued by the Labour Commissioner under the Industrial Employment (Standing Orders) Act, 1946, in an appeal filed by the NHPC Employee Union, Baira Siul project, Chamba, Himachal Pradesh.

(e) Our Company filed a writ petitions (W.P. Nos. 386 of 2006) dated December 14, 2005, in the Delhi High Court, challenging the order dated March 31, 2005 of the Joint Chief Labour Commissioner, who had made several modifications in our Company's certified standing orders for our workmen, issued by the Labour Commissioner under the Industrial Employment (Standing Orders) Act, 1946, in an appeal filed by the NHPC Employee Union, Chamera project.

II. CASES INVOLVING OUR SUBSIDIARY

A. PENDING LITIGATION AGAINST NHDC

There are a total of approximately 10,966 proceedings pending against NHDC before various courts and authorities in India. Whilst the total number of affected persons or villages or the claims in such cases are not presently quantifiable and may in the event of adverse determination, aggregate to a significant amount, where such claims have been quantified, the aggregate claim in dispute is currently approximately Rs. 1,969.75 crore. These proceedings include petitions filed against NHDC by certain persons and non-governmental organisations, including the NBA, that have been filed in various courts, challenging, *inter alia*, the amount of compensation paid to certain project-affected persons or others alleging arbitrary inclusion or exclusion of land for submergence in connection with construction of dams, and seeking additional resettlement and rehabilitation assistance. We cannot assure you that any adverse decision by the courts against NHDC in such cases including any demands for compensation which may be in excess of our estimates would not lead to any material adverse effect to our business and financial condition. Brief details of cases involving our Subsidiary are provided below:

Land Acquisition Related Proceedings

There are a total of 10,939 land acquisition related proceedings pending against NHDC in various courts in India, including the Fast Track and District Courts, the Madhya Pradesh High Court, the Supreme Court and various complaints pending before the Grievance Redressal Authority (**"GRA"**). The aggregate claim against NHDC in these court proceedings approximates Rs. 1,843.64 crore, which includes aggregate claims of approximately Rs. 1,721 crore in respect of Indira Sagar power station and approximately Rs. 123 crore in respect of Omkareshwar power station. In addition, various claims are raised which are not quantified, for instance, for allotment of additional land to the oustees, alleged additional entitlements under NHDC's R&R Policy, or alleged arbitrary inclusion or exclusion of land for submergence in connection with Indira Sagar and Omkareshwar power stations. The total claimed amount may in the event of adverse determination, aggregate to a significant amount. The details are provided below.

Land Acquisition Related Special Leave Petitions

There are four special leave petitions against NHDC pending in the Supreme Court, including one in respect of Indira Sagar power station and three in respect of Omkareshwar power station. No monetary claim has been quantified by the petitioners in these writ petitions. The details are provided below.

(a) NBA filed a special leave petition (SLP No. 935 of 2007) dated January 3, 2007 against NHDC and our Company (through the Chairman, Mr. S.K. Garg) before the Supreme Court, against the order dated September 8, 2006 of the Madhya Pradesh High Court, in writ petition (No 3022 of 2005), which *inter alia*, permitted NHDC to raise the water level of the Indira Sagar reservoir up to 260 metres. The NBA has prayed for a stay on the final judgment and order dated September 8, 2006 of the Madhya Pradesh High Court in writ petition (No. 3022 of 2005) for the filling of the Indira Sagar reservoir beyond 245 metres and to restrict NHDC from taking coercive steps of evicting the oustees until the time the rehabilitation and resettlement process is complete. The next date of hearing is on August 28, 2009.

(b) The State of Madhya Pradesh filed a special leave petition (SLP (Civil) No. 7971 of 2008) dated March 15, 2008 against NBA and NHDC (including its Chairman) before the Supreme Court, praying for a stay on the operation of the order dated February 21, 2008 of the Madhya Pradesh High Court in writ petition (No. 4457 of 2007), and to allow the Government of Madhya Pradesh to fill the Omkareshwar reservoir up to the full reservoir level of 196.6 metres. The details of the impugned order dated February 21, 2008 of the Madhya Pradesh High Court in writ petition (No. 4457 of 2007) are provided under ***"Land Acquisition Cases filed against NHDC before the High Court."***

(c) Mr. Yogesh Kumar and others filed a special leave petition (Civil) No. 10742 of 2008) dated April 15, 2008 against the State of Madhya Pradesh, the Managing Director of NHDC and others, before the Supreme Court, praying for a stay in the dispossession of the lands of Mr. Kumar and others and a stay in the operation of the final order and judgment dated March 28, 2008 of a Division Bench of the Madhya Pradesh High Court in writ appeal (No. 128 of 2008). The impugned order and judgment dated March 28, 2008 of the Madhya Pradesh High Court had dismissed the appeals filed by Mr. Kumar and others (Nos. 128 and 129 of 2008) against the previous order dated January 14, 2008 of a Single Bench of the Madhya Pradesh High Court, which had dismissed writ petition No. 16752 of 2007 filed by Mr. Kumar and others against the State of Madhya Pradesh, the Managing Director of NHDC, and others, challenging a notification for acquiring land, issued by the Government of Madhya Pradesh under the Land Acquisition Act. The matter is currently pending.

(d) The State of Madhya Pradesh has filed two special leave petitions (Civil) No. 10767 and 10768 of 2009) dated April 9, 2009 against the NBA and NHDC (through its chairman) before the Supreme Court against the interim order dated March 16, 2009 of the Madhya Pradesh High Court in the interim application (8211 and 10476 of 2008) in the writ petition (No. 4457 of 2007). The state of Madhya Pradesh has prayed for the stay of the operation of the interim order March 16, 2009 to de-link the disposal of grievances from filling the Omkareshwar dam above 190 meters and to grant permission to fill the Omkareshwar Dam above 189 meters up to full reservoir level of 196.6 meters. The matter is currently pending.

Land Acquisition Related Writ Petitions

There are 31 writ petitions against NHDC pending in the Madhya Pradesh High Court, which arose out of grievances and challenges pertaining to the judgments and orders of the concerned Fast Track and District Courts. These include two writ petitions in respect of Omkareshwar and 29 writ petitions in respect of Indira Sagar power station. The State of Madhya Pradesh is the first respondent in all of these writ petitions. The majority of these proceedings relate to claims of PAPs (including displaced families and longtime encroachers) for rehabilitation grants, transportation assistance, house construction assistance, allotment of land by the State Government in lieu of acquired land, entitlement of landless displaced persons to agricultural land as part of their R&R, and entitlement of major sons for land as per entitlements for separate families. No monetary claim has been quantified by the petitioners in these writ petitions. The number of persons and the number of villages affected by these projects, or in respect of which the said proceedings have been initiated are not presently possible to quantify with any degree of certitude.

The petitioners include various individuals, including Rajendra Prasad and certain non governmental organisations, i.e., the Narmada Ghati Vistapit Sangh (in respect of Indira Sagar power station) and the NBA (in respect of Omkareshwar power station). Two of the writ petitions are discussed in detail below:

(a) The NBA has filed a W.P. (No. 4457 of 2007), dated March 30, 2007 against the State of Madhya Pradesh and NHDC before the Madhya Pradesh High Court to stop the filling of the reservoir. The Madhya Pradesh High Court in its impugned order dated February 21, 2008 in writ petition No. 4457/2007 had, among other things, noted that NHDC's contention that the rehabilitation and resettlement was within the exclusive domain of the State Government was misconceived as the Omkareshwar project was being jointly developed by the State Government and the Central Government (through NHDC), and noted that the oustees had a constitutional right as well as a right under the national R&R Policy to claim allotment of land in lieu of land acquired from them for the Omkareshwar power station, and to that extent the monetary disbursal from NHDC (through the Government of Madhya Pradesh) to such oustees would not absolve the Government of Madhya Pradesh from its responsibility to allocate agricultural land to such oustees in lieu of the land acquired from them as per the claims of the oustees, and further noted that until rehabilitation is complete, submergence of the remaining villages (consequent to raising dam height above 189 metres) could not be allowed by the court. The Madhya Pradesh High Court directed the Government of Madhya Pradesh to locate and allot government or private land as far as possible to oustees opting for such land and to refund 50% of the compensation disbursed to such oustees, and to oustees claiming that they were not given their entitlement as per the NRRP to lodge their grievances with the GRA, and the GRA to look into such grievances and ensure their redressal.

The State of Madhya Pradesh filed three special leave petitions (SLP (Civil) Nos. 10767, 10768 and 7971 of 2008) against the various interim orders of the Madhya Pradesh High Court in W.P. No. 4457 of 2007.

(b) Mr. Rajendra Prasad and others filed a writ petition (W.P. 13919 of 2006) against the State of Madhya Pradesh and NHDC seeking directions from the Madhya Pradesh High Court to lower the height of the Indira Sagar dam to 255 metres as it has allegedly unlawfully submerged villages in the nearby areas which have not been acquired nor compensated for by NHDC. Mr. Prasad has also prayed for the Madhya Pradesh High Court to direct the (a) rehabilitation and resettlement sub group of the Narmada Control Authority and the Central Water Commission (**"CWC"**) to visit the affected villages and submit a report to the Madhya Pradesh High Court on the status of submergence or potential submergence of houses and lands above when the level of the dam is raised above 255 metres; (b) the State of Madhya Pradesh to pay damages to the oustees for the submerged houses and crops lost on fields at full cost and not to take any coercive measures such as forced eviction or demolition of houses on people living in the nearby areas. All the orders of the High Court have been complied with and the matter is currently pending.

Land Acquisition Related Proceedings at the Fast Track and District Courts

There are approximately 2,678 cases pending before various Fast Track and District Courts, including at Khandwa, Harda, Dewas, and Kannod in Madhya Pradesh, including approximately 1,910 proceedings in respect of Indira Sagar power station and approximately 768 proceedings in respect of Omkareshwar power station, where the aggregate claim against NHDC is approximately Rs. 1,802.91 crore. The majority of these proceedings relate to demands for enhanced compensation, filed by oustees aggrieved by the compensation awarded by the concerned District Collectors.

Land Acquisition Related Proceedings pending before the Grievance Redressal Authority

In accordance with the R&R Policy of the State of Madhya Pradesh, vide notification (No. 2/27/27/2/2001/1001) dated August 30, 2001, a GRA has been set up for resettlement and rehabilitation including providing civic amenities to displaced persons from submerged areas of Indira Sagar and Omkareshwar power stations. The authority has the power and the authority to decide its own method to deal with the complaints or grievances for a resettled oustee ensuring that such persons receive all benefits and amenities due to them in accordance with the stipulated provisions of the R&R Policy of Madhya Pradesh and the various orders made from time to time in that behalf by the Government of Madhya Pradesh.

There are 3,847 complaints pending before the GRA regarding grant of land of the oustees in relation to the Omkareshwar power station and the matters are *sub judice* before the Supreme Court in the special leave petition (No. 7971 of 2008) and no monetary compensation has been claimed. There are 4,379 complaints amounting to Rs. 40.73 crore in relation to the Indira Sagar power station pending before the GRA. The complaints pertain to rehabilitation and resettlement including providing civic amenities to displaced persons from submerged areas of Indira Sagar and Omkareshwar power stations. These complaints are currently pending.

In relation to the land acquisition related proceedings, further note that three letters dated September 12, 2008, September 16, 2008, and September 24, 2008, have been forwarded by SEBI to the BRLMs, to which the BRLMs have filed responses, and included details in this Red Herring Prospectus, respectively, based on information received from the Company and NHDC in relation to the proceedings described above.

Taxation

The Assessing Officer issued a notice dated August 17, 2005 to NHDC, under the Building and Other Constructions Workers Act, 1996, directing NHDC to deposit Rs. 8.72 crore approximately as cess in relation to construction works of its contractor, JP Associates. NHDC filed an appeal to the Labour Commissioner, Indore, on September 2, 2005. During the pendency of this appeal, the Assessing Officer issued a notice dated October 18, 2007 to NHDC, directing NHDC to deposit a balance of Rs. 2.77 crore approximately within a month. NHDC, by its letter dated October 26, 2007, to the Assessing Officer requested an extension of time and filed an appeal before the Labour Commissioner, Indore on May 19, 2008 against the Assessing Officer's notice dated October 18, 2007. The matter is currently pending.

Arbitral Proceedings

There are eight arbitral proceedings filed against NHDC, where the aggregate claim against NHDC is approximately Rs. 108.61 crore and Euro 0.23 crore. The details are provided below.

(a) Mr. Surendra Kumar Jain raised a dispute before the arbitrator on August 18, 2008 pertaining to a contract dated July 15, 2003 between NHDC and Mr. Jain, for construction of fencing work for Omkareshwar power station at Siddhwarkut, Khandwa. Mr. Jain alleges that the design given was not proper and hence he could not carry out the work and claimed Rs. 0.06 crore by way of refund of his security deposit. The next hearing is August 2, 2009.

(b) Jindal Enterprises raised a dispute before the arbitrator on January 12, 2007 in relation to two contracts dated June 6, 2003 between NHDC and Jindal Enterprises, for air conditioning works at switch yard and power house of Indira Sagar power station. Jindal Enterprises challenged NHDC's decision to withhold Jindal Enterprises' security deposit, and claimed Rs. 0.73 crore by way of release of its security deposit. The next hearing is August 24, 2009.

(c) Jyoti Construction Company raised a dispute (No. 29 of 2007) before the Madhya Pradesh Arbitration Tribunal on June 10, 2007 in relation to a contract dated January 28, 2004 between NHDC and Jyoti Construction Company, for road network work at Khandwa. Jyoti Construction claimed an aggregate of Rs. 0.23 crore on the ground that certain payments agreed between it and NHDC were not made. The next hearing is August 8, 2009.

(d) Jai Prakash Associates Limited Voith Siemens Consortium raised three separate disputes before the arbitrators for alleged increase in seismic coefficient, alleged modification in energy dissipation arrangement and ex-works price of hydro mechanical, electrical and mechanical equipment pertaining to Omkareshwar Dam. Jai Prakash Associates Limited's claim aggregates Rs. 88 crore and Euro 0.23 crore (approximately). The next hearing is September 25, 2009 for the first case and July 31, 2009 for the second case and August 29, 2009 for the third case.

(e) Jai Prakash Associates Limited has raised a dispute and filed a petition (No. 2 of 2009) dated October 16, 2008 against NHDC, the chief engineer NHDC and the Government of Madhya Pradesh before the Madhya Pradesh Arbitration Tribunal, Bhopal claiming an amount of Rs. 19.38 crore with respect to the total payable amount including admissible escalation for the deviated quality of steel and extra items pertaining to Indira Sagar power station. The matter is currently pending and the next date of hearing is August 24, 2009.

(f) S.K. Yadav has raised a dispute and filed a petition (No. 60 of 2008) dated October 17, 2007 against NHDC, Senior Manager, Omkareshwar, the Executive Engineer, Indira Sagar power station and the State of Madhya Pradesh before the Madhya Pradesh Arbitration Tribunal. Bhopal alleging loss of profit pertaining to construction works of Khandawa Harda Diversion Road and other idle charges. The aggregate amount claimed by S.K. Yadav is Rs. 0.21 crore. The matter is currently pending and the next date of hearing is August 10, 2009.

Labour Litigation

There are seven labour-related legal proceedings involving NHDC, including six writ petitions, where the aggregate claim against NHDC is approximately Rs. 0.07 crore. The details are provided below.

(a) Mr. Rajeshdhar Tripathy filed a writ petition (No. 706 of 2007) against NHDC in the Madhya Pradesh High Court alleging that the withdrawal of his offer of appointment was unreasonable and praying that the Madhya Pradesh High Court direct NHDC to set up an enquiry. The Madhya Pradesh High Court by order dated March 16, 2004 directed NHDC to call for an enquiry. NHDC filed a writ appeal (No. 259 of 2004) in the Madhya Pradesh High Court. The next hearing has not been listed.

(b) ISP (Doobkshetra) Sangh filed a writ petition (No. 15714 of 2006) dated May 3, 2006 in the Madhya Pradesh High Court against NHDC, challenging the appointment of certain trainee workmen in NHDC on the ground that persons belonging to submerged areas should have been given preference while giving appointments in NHDC. The next hearing has not been listed.

(c) Dr. R. Gupta, senior medical officer, NHDC, filed a writ petition (No. 4892/07) in the Madhya Pradesh High Court dated June 15, 2007 against NHDC, claiming a higher pay scale than what was offered to him by NHDC on the ground that he was a short service commissioned officer of the Indian Army. The next hearing has not been listed.

(d) Mr. Jitendra Srivastava, manager (Human Resources) NHDC, filed a writ petition (No. 6222 of 2008) dated May 10, 2008 in the Madhya Pradesh High Court against NHDC, claiming promotion as senior manager (human resources), and claiming that his juniors were promoted to the post of senior manager while he was not considered despite having a clean record. The next hearing has not been listed.

(e) Mr. Praful Kumar filed a petition (No.12 of 2006) dated March 7, 2006 before the Commissioner for Workmen's Compensation, Indore, against NHDC, for compensation of Rs.0.07 crore under the Workmen's Compensation Act, 1923, in relation to an accident that resulted in the death of his son, Mr. Samuel also known as Kalu, a contract labourer, at the Omkareshwar power station site at Siddhwarkut, Khandwa. The next hearing is on July 29, 2009.

(f) P.K. Dixit and Mohanlal Mishra had filed a writ petition (No. 9914 of 2008) dated August 10, 2008 against the CMD of our Company, NHDC and other employees of NHDC before the Madhya Pradesh High Court praying for quashing the order of absorption of private positions in NHDC and to quash the seniority list of senior managers as on May 1, 2005. P.K. Dixit and Mohanlal Mishra have also prayed for their promotion as chief engineers and to repatriate two of the employees of our Company back. The matter is currently pending.

(g) M.K. Sharma has filed a writ petition (No. 5397 of 2009) dated June 15, 2009 against NHDC through its Chief Executive Director, our Company through our Chairman and two others before the High Court, Jabalpur praying to quash the order of transfer of M.K. Sharma from NHDC to Kishanganga Project of our Company. The matter is currently pending.

Other Civil Proceedings

There are nine other civil proceedings against NHDC (including one writ petition) where the aggregate claim against NHDC is approximately Rs. 8.71 crore. The details are provided below.

(a) The Narmada Ghati Visthapit Sangh filed a writ petition (No. 27437 of 2003) dated August 22, 2003 in the Madhya Pradesh High Court against NHDC alleging that NHDC is legally obliged to construct the Khandwa-Mundi Road as per timelines prescribed in the memorandum of understanding between NHDC and the Government of Madhya Pradesh, but has failed to perform its aforesaid obligation. The matter is currently pending.

(b) R.C. Saxena filed two separate writ petitions (Nos. 3771 and 4856 of 2007) dated July 5, 2007 and August 11, 2007, respectively, against NHDC in the Madhya Pradesh High

Court. RC Saxena sought to restrain NHDC from awarding the balance works arising from the contract dated December 8, 2004 to a third party, on the ground that the delay in completion of its work was not due to its fault. The matter is currently pending.

(c) Mr. Vikram Srivastav filed a suit (No. 345 of 2006) dated July 21, 2006 in the District Court, Bhopal, against NHDC, alleging that NHDC encroached on the suit property where the NHDC guest house is situated, by building a portion of its corporate office on the adjoining land which belongs to Mr. Srivastav. The next hearing is on July 27, 2009.

(d) R.C. Saxena filed an application (No. 1427 of 2006) dated February 2, 2006 in the Madhya Pradesh High Court for appointment of an arbitrator for settling disputes arising from the contract dated December 8, 2004 between RC Saxena and NHDC. RC Saxena claimed that it had done some extra work while executing the above contract and is entitled to receive payment for the extra items. The matter is currently pending.

(e) Jupiter International filed two separate applications (Nos.1995 and 2308 of 2006) dated August 3, 2006 and August 14, 2006, respectively, in the Madhya Pradesh High Court for appointment of an arbitrator for settling disputes in relation to two separate contracts dated July 27, 2003 between NHDC and Jupiter International. The concerned contracts were for construction of an administrative complex and hostel, and for construction of quarters and non-executive field hostel at the Omkareshwar power station site at Siddhwarkut, Khandwa. Jupiter International has disputed the penalties imposed on it by NHDC under these contracts, alleging that there was no delay on its part. Jupiter International has raised claims of Rs.0.89 crore and Rs. 1.26 crore, respectively. The next hearings have not been listed.

(f) Palannattil Construction Company had filed two civil suits (No. 109 A and 110 A of 2008) dated August 7, 2008 against NHDC, Narbada Valley Development Department, the State of Madhya Pradesh and others claiming hire and idling charges against the dispute that arose from works of excavation of the tail race channel and excavation of haul road in the Indira Sagar power station. Palannttil Construction Company has claimed a compensation of Rs. 4.59 crore and Rs. 1.97 crore respectively. The matter is currently pending and the next date of hearing is August 26, 2009.

B. LITIGATION FILED BY NHDC

Special Leave Petition Filed by NHDC

(a) NHDC (through its chairman) filed a special leave petition ((Civil) No. 8193 of 2008) dated March 25, 2008 in the Supreme Court, against NBA and the State of Madhya Pradesh praying for a stay on the operation of the order dated February 21, 2008 of the Madhya Pradesh High Court in W.P. (No. 4457 of 2007). The details of the impugned order dated February 21, 2008 of the Madhya Pradesh High Court in writ petition (No. 4457 of 2007) are provided above under "***-Land Acquisition Related Writ Petitions***". The Supreme Court by its interim order dated May 14, 2008 directed, among other things, that the GRA and Madhya Pradesh High Court will proceed in addressing grievances in accordance with the order dated February 21, 2008 of the Madhya Pradesh High Court, excluding claims for agricultural land by oustees who have accepted or received compensation. Consequently, the Madhya Pradesh High Court would, while issuing directions regarding raising the water level up to 196.6 meters, exclude grievances relating to non-grant of agricultural land in lieu of acquired land where compensation has been accepted or received by oustees. The matter is currently pending.

Other Civil Petitions Filed by NHDC

(a) There are three writ petitions (Petition Nos. 4149, 4150 and 4153 of 2009) dated April 15, 2009 filed by NHDC against its contractor, Jagdish Chand Gupta before the Madhya Pradesh High Court. NHDC has challenged three separate judgements of the District Court, Khandwa, dated January 24, 2009 where the District Court had ruled that it did not have any jurisdiction to try the applications filed by the NHDC challenging three separate arbitral awards dated March 18, 2007, by which Jagdish Chand Gupta was awarded an amount of Rs. 0.52 crore, Rs. 0.60 crore, and Rs. 0.43 crore, respectively. The impugned arbitral awards relate to disputes pertaining to three separate contracts between NHDC and Jagdish Chand Gupta for building bridges across rivers Kalimachak, Patal, and Ghorapacchar at Omkareshwar power station. JCG's arbitral claims were based on allegations of extra work and wastage of resources in the form of idle men and machines. The High Court vide order dated May 4, 2009 had granted interim stay of the impugned order. The matter is currently pending.

C. Pending applications under the RTI Act

Incidentally to its business, NHDC receives applications from various persons under the RTI Act from time to time. Currently, there are four RTI applications pending before NHDC's PIO. There are no applications presently pending before the FAA or the CIO.

III. LITIGATION INVOLVING OUR DIRECTORS

Except for the cases mentioned below, there are no pending adjudicatory, regulatory or arbitral proceedings involving any of our Directors as of the date of this Red Herring Prospectus. Further, as of the date of this Red Herring Prospectus, neither our Company nor any of our Directors has received any notices from any regulatory body or any other persons, with respect to any threatened or potential litigation or regulatory proceedings or investigations against them. However, incidental to the business of our Company and our Subsidiary, parties may from time to time file suits impleading our Company and its Subsidiary through or along with their respective officers and Directors in their official capacities.

Proceedings against our Chairman and Managing Director

(a) NBA filed two contempt petitions (Nos. 558 and 623 of 2008) dated May 7, 2008 and May 16, 2008 respectively, against the Chairman and Managing Director of our Company and NHDC, Mr. S.K. Garg, in the Madhya Pradesh High Court. The contempt petitions are filed against the order dated September 8, 2006 of the M.P. High Court in writ petition No. 3022 of 2005, which pertains to the rehabilitation and resettlement of oustees of the Indira Sagar power station, and which, among other things, permitted NHDC to raise the water level of the Indira Sagar Reservoir up to 260 metres. NBA has prayed for directions to be issued to the Government of Madhya Pradesh and NHDC to comply with the judgment dated September 8, 2006 of the Madhya Pradesh High Court and to grant a stay on the filling of the Indira Sagar reservoir until the same has been concluded. The matters are currently pending.

(b) NBA filed a special leave petition (SLP No. 935 of 2007) dated January 3, 2007 against NHDC and our Company (through the Chairman, Mr. S.K. Garg) before the Supreme Court, against the order dated September 8, 2006 of the Madhya Pradesh High Court, in writ petition (No 3022 of 2005), which, *inter alia*, permitted NHDC to raise the water level of the Indira Sagar Reservoir up to 260 metres. NBA has prayed for a stay on the final judgment and order dated September 8, 2006 of the Madhya Pradesh High Court in writ petition.(No. 3022 of 2005) for the filling of the Indira Sagar reservoir beyond 245 metres and to restrict NHDC from taking coercive steps of evicting the oustees until the time the rehabilitation and resettlement process is complete. The next date of hearing is on August 28, 2009.

(c) P.K. Dixit and Mohanlal Mishra had filed a writ petition (No. 9914 of 2008) dated August 10, 2008 against the CMD of our Company, NHDC and other employees of NHDC before the Madhya Pradesh High Court praying for quashing the order of absorption of private positions in NHDC and to quash the seniority list of senior managers as on May 1, 2005. P.K. Dixit and Mohanlal Mishra have also prayed for their promotion as chief engineers and to repatriate two of the employees of our Company back. The matter is currently pending.

(d) The Labour Inspector, Kullu has filed a complaint (No. 2240-I of 2008) dated May 3, 2008 against the Director (Projects) of our Company and our Company before the Chief Judicial Magistrate, Kullu alleging non-compliance with the provisions of the Factories Act and the Himachal Pradesh Factories Act, 1950. The Labour Inspector has also alleged that the record of employees was not produced for inspection. Further, the labour inspector vide his application dated January 17, 2009 prayed before the Chief Judicial Magistrate to isuue summons in the name of the Director (Projects), K.C. Dhiman and Anand Tembhare. The matter is currently pending.

(e) M.K. Sharma has filed a writ petition (No. 5397 of 2009) dated June 15, 2009 against NHDC through its Chief Executive Director, our Company through our Chairman and two others before the High Court, Jabalpur praying to quash the order of transfer of M.K. Sharma from NHDC to Kishanganga Project of our Company. The matter is currently pending.

(f) Mahesh Kumar Gupta filed a suit (No.S-168/2005) against our Chairman and Managing Director, Mr. S.K. Garg before the Court of Civil Judge, Delhi, alleging non-payment of professional fees for services rendered by him as per the Income Tax returns filed by him for the assessment year 1985-86 to 2004-05 for an amount of Rs. 0.006 crore along with interest. The matter is currently pending.

IV. MATERIAL DEVELOPMENTS

Except as stated in "***Management's Discussions and Analysis of Financial Condition and Results of Operations***" on page 281, 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 which materially and adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or our ability to pay our 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

Corporate Approvals

Our Board of Directors has, pursuant to resolutions passed at its meeting held on February 7, 2007 and March 13, 2007, authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated March 13, 2007 under Section 81(1A) of the Companies Act, authorised the Issue.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on May 30, 2008 and June 19, 2009, respectively, authorised our Company to take necessary action for filing of the Draft Red Herring Prospectus and this Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors and shareholders in their respective meetings.

Furthermore, our IPO committee has, pursuant to resolutions passed at its meeting held on June 13, 2008, authorised 2.50% of the Issue to be reserved in the Employee Reservation Portion.

Approvals from the MoP

The MoP has through letter No. 16/47/2001-DO (NHPC) dated January 8, 2007 granted approval for the initial public offering of 10% of the paid-up capital of our Company.

The MoP has through letter No. 16/47/2001-DO (NHPC) dated March 8, 2007 granted approval for disinvestment of 5% of the GoI shareholding in our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007 granted approval for lock-in of 20% of the fully diluted post-Issue paid-up Equity Share Capital of our Company for three years from the date of Allotment and lock-in of the balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment.

In-principle approvals from BSE and NSE

We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated September 10, 2008 and August 27, 2008, respectively.

BSE is the Designated Stock Exchange.

Approval from the FIPB

The FIPB has through letter No. FC.II: 211(2008)/263(2008) dated September 29, 2008 granted approval for allotment of Equity Shares to eligible non-resident investors in our proposed initial public offering.

Approvals from Lenders

The Indian Overseas Bank has, through letter dated June 19, 2008, granted its consent for change in the capital structure of our Company in respect of this Issue.

B. APPROVALS FOR PROJECTS

I. (A) Projects Under Construction

1. *Parbati II Hydroelectric Project, Kullu District, Himachal Pradesh (800 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	7/2/2002-DO(NHPC)	September 11, 2002	N.A.	Estimated cost of project of Rs. 3,919.59 crore including IDC of Rs. 811.84 crore. Project to be completed in seven years from the date of approval. The project commissioning has been further revised to March 2013. The expenditure on the project is to be met by our Company with a debt equity ratio of 70:30.
2.	In-principle forest clearance for diversion of 57.83 ha. of additional forest land from the MoEF	F.No. 8-77/96FC	December 23, 2003	N.A.	-
3.	Formal forest clearance for diversion of 57.83 ha. additional forest land from the MoEF	F.No.8-77/96FC	March 17, 2004	N.A.	-
4.	In-principle forest clearance for diversion of additional forest land measuring 0.35 ha.	F.No. 8-77/96-FC (Part)	April 30, 2008	N.A.	State government shall charge net present value of the forest area diverted from our Company as calculated as per the Supreme Court, dated October 30, 2002 in IA No. 566 and August 1, 2003 in I.A. No. 566 in W.P. (C) No. 202/1995 in T.N. Godavarman Thirumulkapad v. Union of India and as per guidelines issued by the MoEF through letters dated September 18, 2003, September 22, 2003 and October 3, 2006. The Company to provide undertaking to pay additional net present value if so determined as per final decision of the Supreme

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					Court. Our Company has paid Rs. 0.03 crore towards compensatory afforestation and net present value.

2. *Sewa II Hydroelectric Project, Kathua District, Jammu and Kashmir (120 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP	26/1/2002-DO(NHPC)	September 9, 2003	N.A.	Estimated cost of project of Rs. 665.46 crore including IDC of Rs. 68.42 crore with a debt-equity ratio of 70:30. Schedule of commissioning revised to June, 2009 pursuant to our letter dated September 13, 2008 to MoP, GoI. Schedule of commissioning is revised further to December 2009.
2.	Diversion of additional forest land measuring 5.00 ha.	443 - Fst of 2004	October 11, 2004	N.A.	The forest land so diverted shall return to the Forest Department when it is not required by our Company, without any cost. Forest land so diverted shall not be mortgaged, reassigned or sub-leased by our Company to any other company. Any damage done to the forests by our Company or its employees and contractors or people employed by them shall be charged from our Company at the rate of 10 times the standard rate of 1992.
3.	Diversion of additional forest land measuring 10.14 ha.	567 - Fst of 2006	October 26, 2006	N.A.	The proprietary status of the forest land shall remain unchanged. The forest land so diverted shall return to the Forest Department when it is not required by our Company, without any cost. Forest land so diverted shall not be mortgaged, reassigned or sub-leased by our Company to any other company. The Company to ensure obtaining environmental clearance of the overall projects

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					if required as per the EPA before taking up execution of the work. Any damage done to the forests by our Company or its employees and contractors or people employed by them shall be charged from our Company at the rate of 10 times the standard rate of 1992. The Company shall pay the net present value of the forest land to the tune of Rs. 58,81,000 in Billawar Forest Division as calculated as per the Supreme Court order dated October 30, 2002 in IA No. 566 in writ petition (Civil) No. 202 of 1995 in T.N. Godavarman Thirumulkapad v. Union of India.

3. *Teesta Low Dam III, Hydroelectric Project, Darjeeling District, West Bengal (132 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	8/1/2003-DO (NHPC)	October 30, 2003	N.A.	Approval to set up the Teesta Low Dam Stage – III at an estimated cost of Rs. 768.92 crore including IDC of Rs. 60.41 crore with a debt-equity ratio of 70:30. Schedule of commissioning revised to December, 2009 pursuant to our letter dated September 13, 2008 to MoP, GoI. Schedule of commissioning has been further revised to February 2011.
2.	Clearance for diversion of forest land of 302.49 ha. for construction of the project	F.No.8-34/2003-FC	April 7, 2004	N.A.	The legal status of land shall remain unchanged. The forest land diverted shall not be transferable.

4. *Subansiri (Lower) Hydroelectric Project, Lower Subansiri District, Arunachal Pradesh and Dhemaji District, Assam (2,000 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI.	11/1/2002-DO(NHPC) Vol. II	September 9, 2003	N.A.	Estimated cost of project of Rs. 6,285.33 crore including IDC of

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					Rs. 670.92 crore. The project should be completed within a period of seven years from the date of approval of the GoI. The commissioning of this project has been revised to December, 2012. The expenditure of the project is to be met with debt-equity ratio of 70:30.
2.	In-principle forest clearance for diversion of 260 ha forest land for quarrying.	8-100/2002-FC	May 19, 2004	N.A.	-
3.	Approval from the MoEF for diversion of 3,999.30 ha of forest land for construction of the project.	8-100/2002-FC	October 12, 2004	N.A.	-

5. *Uri II Hydroelectric Project, Baramulla District, Jammu & Kashmir (240 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI.	22/14/2001-DO(NHPC)(Vol. II)	September 1, 2005	N.A.	Estimated cost of Rs. 1,724.79 crore including IDC and FC of Rs. 66.61 crore with a debt-equity ratio of 70:30. Project to be completed in 51 months from the date of approval. The commissioning of this project has been further revised to February 2011. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.

6. *Chamera III Hydroelectric Project, Chamba District, Himachal Pradesh (231 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution	10/3/2003-DO(NHPC)(Vol.	September 1, 2005	N.A.	Estimated cost of Rs. 1,405.63 crore

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
	approval from the MoP, GoI.	II)			including IDC and FC of Rs. 119.66 crore. Project is to be completed within five years from the date of sanction. The commissioning of this project has been further revised to August 2010. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.
2.	Clearance from the MoEF, GoI for diversion of 96.145 ha of forest land for construction of the project.	F. No. 8-111/2002-FC	September 19, 2005	N.A.	-

7. *Parbati Stage III Hydroelectric Project, District Kullu, Himachal Pradesh (520 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	7/1/2002-DO (NHPC)(Vol.II)	November 9, 2005	N.A.	Estimated cost of Rs. 2,304.56 crore including IDC and FC of Rs. 203.42 crore. The project is to be completed within a period of five years. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.

8. *Teesta Low Dam IV Hydroelectric Project, Darjeeling District, West Bengal (160 MW)*

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval from the MoP, GoI	8/2/2003-DO (NHPC) (Vol. II)	September 30, 2005	N.A.	Estimated cost of Rs. 1,061.38 crore including IDC and FC of Rs. 69.71 crore. Schedule of completion is 48 months. The commissioning of this project has been

S No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					further revised to August 2011. The expenditure on the project is to be met by our Company with a debt-equity ratio of 70:30.
2.	Clearance for diversion of forest land of 338.05 ha for construction of the project.	F.NO.8-61/2004-FC	March 30, 2006	N.A.	-

9. *Nimoo Bazgo Hydroelectric Project, Leh District, Ladakh (45 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval by the MoP, GoI.	33/1/2002-DO(NHPC)	August 24, 2006	N.A.	Estimated cost of project of Rs. 611.01 crore including IDC and FC charges of Rs. 7.34 crore. Project to be completed within 48 months from the date of sanction. The commissioning of this project has been further revised to August 2010.

10. *Chutak Hydroelectric Project, Kargil (Ladakh), Jammu & Kashmir (44 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Project implementation/execution approval by the MoP, GoI.	22/10/2001-DO(NHPC) (Vol. II)	August 24, 2006	N.A.	Estimated cost of project of Rs. 621.26 crore including IDC and FC charges of Rs. 3.69 crore. Schedule of completion is 54 months. The commissioning of this project has been further revised to February 2011.

11. *Kishanganga Hydroelectric Project, Baramulla District, Jammu & Kashmir (330 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Projects implementation/execution approval by the MoP, GoI*	13/2/2000-DO(NHPC)Vol. V	January 14, 2009	N.A	Estimated total cost of Rs. 3,642.04 crore including IDC and FC charges of Rs. 8.52 crore. Project to be completed

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					within a period of seven years from the date of sanction of the project by the GoI. The commissioning of this project has been further revised to January 2016.

II (A). APPROVALS FOR PROJECTS AWAITING CLEARANCES

1. *Pakal Dul Hydroelectric Project, Doda District, Jammu & Kashmir (1,000 MW) under the MoU for a joint venture with the government of Jammu & Kashmir, JKSPDC and PTC for 2,100 MW.*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation and survey.	No J-12011/5/2001-IA-I	July 26, 2001	N.A.	Status of high altitude national park in Kishtwar should be intimated.
2.	Site clearance (Stage II).	No. J-12011/5/2001-IA-I	April 29, 2002	N.A.	Company to obtain approval for executing the project from the Supreme Court since the project lies in the Kishtwar High Altitude National Park.
3.	Government Order from the Commissioner, Forest Department, Jammu and Kashmir granting permission for diversion of forest land measuring 888.32 ha of Marwah Forest for the project.	Government Order No. 253/FST of 2005.	June 16, 2005	N.A.	N.A.
4.	Indus Water Clearance from the Ministry of Water Resources (Indus Wing) under the Indus Water Treaty 1960 Angle.	No. 3/1/2006-IT/763	March 23, 2006	N.A.	N.A.
5.	TEA Approval from the CEA.	No. 2/NHPC/27/01-CEA/PAC/400/428	October 3, 2006	October 3, 2009	Company to obtain clearance from the Indian Board of Wild Life and Supreme Court regarding diversion of forest land falling under Kishtwar

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					High Altitude National Park. The NBWL has recommended the proposal for denotification/diversion of forest land with the existing directives of the Supreme Court and provisions of the FCA regarding diversion of forest land falling under Kishtwar High Altitude National Park. Further, our Company is required to provide a total of Rs. 236 crore including Rs. 100 crore for corpus fund for the protected area for the conservation of wildlife. This clearance will be obtained by the joint venture company when incorporated, as per the terms of the MoU. In case the time gap between the TEA and the CCEA approval is three years or more, a fresh TEA shall be obtained.
6.	Environmental clearance from the MoEF, GoI	J-12011/51/2007-IA	February 29, 2008	Valid for a period of ten years from the date of issue of this letter for the commencement of the construction work.	Since the project involves 386.186 ha of forest land falling under Kishtwar High Altitude National Park, the clearance is subject to the Supreme Court's permission with respect to dereservation of part of Kishtwar High Altitude National Park.

2. *Kotlibhel Stage - IA Hydroelectric Project, Pauri and Tehri Districts, Uttarakhand (195 MW)**

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage-I) from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-Principle Approval from the	I-22/2/34/2003/P&E	February 8, 2005	N.A.	N.A.

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
	Planning Commission for implementation of the project.				
3.	Site clearance (Stage-II) from the MoEF, GoI	12011/32/12003-IA.I	May 9, 2005	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC Approval from the CEA	2/NHPC/50/05-CEA/PAC/429-1459	October 3, 2006	October 3, 2009	Our Company shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river between India and Bangladesh. The Ministry of Water Resources through its letter dated December 26, 2006 granted 'no objection' to the construction of the project from international angle. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained.
6.	Defence clearance from the Ministry of Defence, GoI	21(21)/2006 D (Coord)	June 22, 2007	N.A.	Height of proposed concrete dam shall not exceed 70.5 metres above ground level ("**AGL**") and 626 metres above mean sea level ("**AMSL**").
7.	Environmental clearance from the MoEF, GoI	J-12011/5/2007-IA.I	May 9, 2007	Valid for a period of five years from the date of issue of this letter for commencement of construction work.	-
9.	Investment clearance from the Public Investment Board	14/2/2006-Fin	March 1, 2007	N.A.	-

3. *Kotlibhel Stage - IB Hydroelectric Project, Pauri and Tehri Districts, Uttarakhand (320 MW)**

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Stage-I clearance from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-principle approval from the Planning Commission for implementation of the project.	I-22/2/16/2005/P&E	February 10, 2005	N.A.	N.A.
3.	Site clearance (Stage II) for the Kotlibhel Hydro Electric Project in district Pauri and Tehri Garhwal, Uttarakhand from the MoEF, GoI.	J-12011/33/2003-IA.I	June 15, 2005	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC clearance from the CEA, GoI.	2/NHPC/49/05-CEA/PAC/1564-95	October 31, 2006	October 31, 2009	Our Company shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river between India and Bangladesh. The Ministry of Water Resources through its letter dated October 16, 2006 granted 'no objection' to the construction of the project from international angle. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained.
6.	Environmental clearance from the MoEF, GoI	J-12011/21/2007-IA.I	August 14, 2007	Valid for a period of 10 years from date of issue of	-

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
				this letter for commencement of construction work	
7.	Defence clearance from the Ministry of Defence, GoI	21(21)/2006 D (Coord)	June 22, 2007	N.A.	Height of proposed concrete dam shall not exceed 70.5 meters AGL and 626 meters AMSL.
8.	Investment clearance from the Public Investment Board	14/2/2006-Fin	March 1, 2007	N.A.	-

The forest clearance proposal was discussed by the Forest Advisory Committee ("FAC**") on April 29, 2008 for a final forest clearance from MoEF, whereby recommendations were forwarded to the Central Empowered Committee ("**CEC**") for consideration. CEC submitted its report to the Supreme Court desiring that a reconstituted FAC should review the project. As per the directives of the Supreme Court dated February 20, 2009, the reconstituted FAC discussed the projects on March 12, 2009 and April 2, 2009. Further communication with regard to forest clearance is awaited by our Company.*

4. *Kotlibhel Stage II Hydroelectric Project, Pauri and Tehri Districts, Uttarakhand (530 MW)#*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Stage-I clearance from the MoEF, GoI for survey and investigation at the site and for preparation of pre-feasibility report-for all three projects.	J.12011/32/2003-IA.I	October 20, 2003	N.A.	N.A.
2.	In-principle approval from the Planning Commission, GoI for implementation of the project.	I-22/2/21/2005/P&E	June 1, 2005	N.A.	Clearance of MoEF and State Pollution Control Board after proper public hearing to be obtained.
3.	Site clearance for investigation and survey (Stage II) from the MoEF, GoI.	J-12011/34/2003.IA.I	February 13, 2006	N.A.	N.A.
4.	Non-objection letter from the Additional Secretary, Government of Uttarakhand for implementation of the project.	Nil	September 5, 2006	N.A.	N.A.
5.	TEC Approval from the CEA.	2/NHPC/51/05-CEA/PAC/1771-1801	November 30, 2006	November 30, 2009	Our Company shall obtain clearance from the Ministry of Water Resources as the project is located on Bhagirathi river

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					which is an international river between India and Bangladesh. The Ministry of Water Resources through its letter dated December 29, 2006 granted 'no objection' to the construction of the project from international angle. In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained.
6.	Defence clearance from the Ministry of Defence, GoI	21(21)/2006 D (Coord)	June 22, 2007	N.A.	Height of proposed concrete dam shall not exceed 70.5 meters AGL and 626 meters AMSL.
7.	Environmental clearance from the MoEF, GOI	J-12011/49/2007-IA.I	August 23, 2007	Valid for a period of 10 years from date of issue of the letter for commencement of construction work	-
8.	Investment clearance from the Public Investment Board	14/1/2007-Fin	June 8, 2007	N.A.	-

[#] *The forest clearance proposal was discussed with the FAC for a final forest clearance from MoEF in view of the order of the Supreme Court dated February 20, 2009 with regard to Kotlibhel IA and Kotlibhel IB Projects. Further communication with regard to forest clearance is awaited by our Company.*

5. *Dibang Hydroelectric Project, Lower Dibang Valley District, Arunachal Pradesh (3,000 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI for investigation and survey.	J.12011/3/2002-IA-I	January 28, 2004	N.A.	N.A.
2.	Site clearance (Stage II) from the MoEF, GoI for investigation and survey.	J-12011/3/2003-IA-I	December 24, 2004	N.A.	N.A.
3.	TEC approval from the CEA, GoI	2/NHPC/52-CEA/05-PAC/73-100	January 23, 2008	January 23, 2011	In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					obtained.
4.	Investment clearance from the Public Investment Board	No. F. 2(2)/PF.II/2008	February 27, 2008	N.A.	-

6. *Loktak Downstream Hydroelectric Project, Manipur (66 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	TEC Approval from the CEA, GoI.	2/NHPC/22/98-CEA/	November 15, 2006	November 15, 2009	In case the time gap between the TEC and actual start of work is three years or more, a fresh TEA shall be obtained.
2.	Clearance from the MoEF, GoI for pre-construction activities	J.12011/17/2007-IA.I	April 20, 2007	N.A.	-

7. *Teesta IV Hydroelectric Project, North Sikkim District, Sikkim (520 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I and II) from the MoEF, GoI for investigation and survey.	J-12011/22/2005-IAI.	October 6, 2005	N.A.	-
2.	Clearance from MoEF, GoI for pre-construction activities	J-12011/67/2008-IA.I	June 4, 2009	N.A.	-

III. (A) Approvals for projects under survey and investigation

1. *Bursar Hydroelectric Project, Doda District, Jammu & Kashmir (1,020 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI for investigation and survey.	J-12011/14/2001-IA-I	July 26, 2001	N.A.	-
2.	Site clearance (Stage II) from the MoEF according site clearance for investigation and survey.	J-12011/14/2001-IA-I	May 14, 2002	N.A.	Company to get the approval of the Supreme Court before executing the project since it is located at Kishtwar High Altitude National Park which area has been notified under Section 35

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
					of the Wildlife Protection Act, 1972.

2. *Subansiri (Upper) (2,000 MW) & Subansari (Middle) (1,600 MW) Hydroelectric Projects, Arunachal Pradesh*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation and survey from the MoEF, GoI.	J-12011/17/2000-IA-I	November 30, 2000	N.A.	-

3. *Chungar Chal Hydroelectric Project, Pithoragarh District, Uttarakhand (240 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) for investigation and survey from the MoEF, GoI.	J-12011/61/2005-IA.I	November 11, 2005	N.A.	Clearance of the Steering Committee of the Indian Wild Life Board to be taken in case area of the project falls within the Askot Musk Deer Sanctuary. The State government has filed a petition in the Supreme Court, regarding denotification of the area falling under the Askot Musk Deer Sanctuary. The matter is currently pending adjudication.

4. *Lachen Hydroelectric Project, North Sikkim District, Sikkim (210 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Site clearance (Stage I) from the MoEF, GoI, according site clearance for investigation and survey.	J-12011/82/2005-I.A.I	February 27, 2006	N.A.	-

5. *Tawang Stage I Hydroelectric Project, Tawang District, Arunachal Pradesh (750 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Clearance for pre-construction activities along with terms of reference for the Environmental Impact Assessment studies.	J-12011/54/2006-I.A.I	December 8, 2006	N.A.	-

6. *Tawang Stage II Hydroelectric Project, Tawang District, Arunachal Pradesh (750 MW)*

S. No.	Description	Ref./License No.	Issue date	Expiry date	Conditions
1.	Clearance for pre-construction activities along with terms of reference for the Environmental Impact Assessment studies.	J-12011/54/2006-I.A.I	December 8, 2006	N.A.	-

III. (B) Approvals pending in relation to projects under survey and investigation

1. *Karmoli Lumti Tulli, Uttarakhand (55 MW)*

We have made an application dated January 1, 2006 to the Additional Director, MoEF, GoI vide Letter No. NH/PD/Env.137/339 for Stage I site clearance for survey and investigation. The MoEF vide its letter no. J-12011/7/2006-IA-I, dated February 23, 2006 has requested us to seek clearance from the steering committee of the Indian Wildlife Board for locating the project within the Askot Musk Deer Sanctuary. The State government has filed a petition in the Supreme Court regarding denotification of the area falling under the Askot Musk Deer Sanctuary. The matter is currently pending adjudication.

2. *Garba Tawaghat, Uttarakhand (630 MW)*

We have made an application dated October 20, 2005 to the Additional Director, MoEF, GoI vide Letter No. NH/PD/Env.137/2841for Stage I site clearance for survey and investigation. The MoEF vide its letter no. J-12011/76/2005-IA-I, dated November 18, 2005 has requested us to seek clearance from the steering committee of the Indian Wild life Board for locating the project within the Askot Musk Deer Sanctuary. The State government has filed a petition in the Supreme Court regarding denotification of the area falling under the Askot Musk Deer Sanctuary. The matter is currently pending adjudication.

Since the project is being developed on River Kali (Sharda) which flows through both India and Nepal it needs to be examined under the provisions of the Mahakali Treaty, 1996, which requires that the project benefits are shared with Nepal. Accordingly, our Company has requested through a letter dated February 16, 2009 that the MoP examine this issue, and the MoP has referred the matter to the Ministry of External Affairs who will begin consultation with the Government of Nepal.

IV. Miscellaneous approvals for our business

We require various approvals for us to carry on our business in India. The approvals that we require include the following:

(i) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961.
(ii) Certificate of Registration under the Central Sales Tax Act, 1956.
(iii) Certificate of Registration under the Sales Tax Acts of the various states in India.
(iv) Registration for payment of service tax in various locations in India where our consultancy services are being offered.
(v) Certificate of Registration as an employer for payment of professional tax applicable to various professions, trades, callings and employments, as applicable in various states.
(vi) Grant of licenses to store explosives from the Department of Explosives, GoI.
(vii) Certificate of Registration under the requisite value added tax legislations applicable in various states in India.

We have obtained the above approvals for our commissioned projects and our offices at various locations in India and the same are valid as of the date of filing of this Red Herring Prospectus. Some of these have expired in the ordinary course of business and applications for renewal of these approvals have been submitted upon expiry.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Corporate Approvals

Our Board of Directors has, pursuant to resolutions passed at its meeting held on February 7, 2007 and March 13, 2007, authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated March 13, 2007 under Section 81(1A) of the Companies Act, authorised the Issue.

Further, our Board of Directors has, pursuant to resolutions passed at its meeting held on May 30, 2008 and June 19, 2009, respectively, authorised our Company to take necessary action for filing of the Draft Red Herring Prospectus and this Red Herring Prospectus with SEBI in line with the decision taken earlier by the Board of Directors and shareholders in their respective meetings.

Furthermore, our IPO committee has, pursuant to resolutions passed at its meeting held on June 13, 2008, authorised 2.50% of the Issue to be reserved in the Employee Reservation Portion.

Approvals from the MoP

The MoP has through letter no. 16/47/2001-DO (NHPC) dated January 8, 2007 granted approval for the initial public offering of 10% of the paid-up capital of our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 8, 2007 granted approval for disinvestment of 5% of the GoI shareholding in our Company.

The MoP has through letter no. 16/47/2001-DO (NHPC) dated March 13, 2007 granted approval for lock-in of 20% of the fully diluted post-Issue paid-up Equity Share Capital of our Company for three years from the date of Allotment and lock-in of the balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment.

Approval from the FIPB

The FIPB has through letter no. FC.II: 211(2008)/263(2008) dated September 29, 2008 granted approval for allotment of Equity Shares to eligible non-resident investors in our proposed initial public offering.

Approvals from Lenders

The Indian Overseas Bank has, through letter dated June 19, 2008, granted its consent for change in the capital structure of our Company in respect of this Issue.

Prohibition by SEBI

Our Company, our Directors, our Promoter and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI and have not been declared as a wilful defaulter by the RBI or any other governmental authority and there are no proceedings in relation to violations of securities laws committed by our Promoter in the past or currently pending against our Promoter.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as:

- We have net tangible assets of at least Rs. 3 crore in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs. 1 crore in each of the three preceding full years;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;
- We have changed our name within the last one year but we continue to earn the majority of our revenue from the same business as prior to change in our name.
- The Issue size of up to Rs. [●] crore alongwith all previous issues of equity shares made in the same financial year aggregates to Rs. [●] crore. The said aggregate, i.e., Rs. [●] crore, does not exceed five times the pre-Issue net worth as per the last audited accounts for Fiscal 2009 which is Rs. 17,871.81 crore and Rs. 18,392.52 crore as per the Restated Unconsolidated Financial Statements and Restated Consolidated Financial Statements respectively (i.e., 5 x Rs. [●] crore = Rs. [●] crore).

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after our Company and the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act.

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets for the last five years from Fiscal 2005 through Fiscal 2009 based on our Restated Unconsolidated and Consolidated Financial Statements, are set forth below:

As per our Restated Unconsolidated Financial Statements

(Rs. in crore)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Net tangible Assets (1)	14,060.38	15,157.90	16,403.87	17,113.49	17,861.94
Monetary Assets (2)	311.68	542.20	466.90	1,841.27	1,899.95
Net Profits, after tax, as restated	611.66	732.89	923.27	1,060.42	1,129.80
Net Worth	14,063.60	15,160.51	16,405.31	17,115.65	17,871.81
Dividends	140.00	223.00	278.00	300.00	325.00

As per our Restated Consolidated Financial Statements

(Rs. in crore)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Net tangible Assets (1)	14,098.08	15,317.30	16,682.42	17,527.59	18,382.62
Monetary Assets (2)	973.55	892.78	816.29	2,345.87	2,606.08
Net Profits, after tax, after minority interest, as restated	657.69	864.66	1,049.10	1,207.04	1,244.15
Net Worth	14,101.30	15,319.91	16,683.87	17,529.81	18,392.52
Dividends	140.00	223.00	278.00	300.00	325.00

(1) Net tangible assets are defined as the sum of all net assets of the company, excluding 'intangible assets', as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India.

(2) Monetary assets include cash on hand and with bank and liquid investments including units in open ended mutual fund schemes at cost.

For further information, see "***Financial Statements***" on page 174.

No exemption from eligibility norms has been sought under Clause 2.4 of the SEBI Guidelines, with respect to the Issue. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM SECURITIES PRIVATE LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ENAM SECURITIES PRIVATE LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 5, 2008 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(III) WE CONFIRM THAT BESIDES ENAM SECURITIES PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID. PLEASE NOTE, HOWEVER, THAT THE SEBI REGISTRATION OF ONE OF THE BOOK RUNNING LEAD MANAGERS TO THE ISSUE, SBI CAPITAL MARKETS LIMITED, WAS VALID UP TO JULY 31, 2008. THE APPLICATION FOR RENEWAL OF THE CERTIFICATE OF REGISTRATION IN THE PRESCRIBED MANNER HAS BEEN MADE BY SBI CAPITAL MARKETS LIMITED ON APRIL 29, 2008 TO SEBI, THREE MONTHS BEFORE THE EXPIRY OF THE PERIOD OF CERTIFICATE AS REQUIRED UNDER REGULATION 9(1) OF THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992. THE APPROVAL OF SEBI IN THIS REGARD IS PRESENTLY AWAITED. WE SHALL PROVIDE THE UPDATED STATUS IN THIS REGARD IN THE RED HERRING PROSPECTUS. IN THIS REGARD, SBI CAPITAL MARKETS LIMITED HAS RECEIVED A RENEWAL OF ITS CERTIFICATE OF REGISTRATION AND THE SAME IS VALID UNTIL JULY 31, 2011.

(IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(V) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING OF DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

(VI) WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS

CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

(VII) WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE.

(VIII) WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER – NOT APPLICABLE.

(IX) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

(X) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

(XI) WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.

(XII) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE.

(XIII) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:

(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME."

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act. The filing of the Red Herring Prospectus does not, however, absolve the Company from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the BRLMs, any irregularities or lapses in the Red Herring Prospectus.

Disclaimer from our Company, the Selling Shareholder and the BRLMs

Our Company, the Selling Shareholder, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.nhpcindia.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the MoU entered into among the BRLMs, the Selling Shareholder and the Company dated March 30, 2007 and the amendment agreement dated August 4, 2008 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and us.

All information shall be made available by us, the Selling Shareholder and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

Our Company, the Selling Shareholder, the BRLMs shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. The Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with

SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, Foreign Institutional Investors ("**FIIs**") and other eligible foreign investors (viz. Foreign Venture Capital Investors ("**FVCIs**"), multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter No. NSE/LIST/82748-H dated August 27, 2008 permission to us to use NSE's name in this offer document as one of the stock exchanges on which our securities are proposed to be listed. The NSE has scrutinised the draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the 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.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to BSE. BSE ("**the Exchange**") has given vide its letter No. DCS/IPO/BP/IPO-IP/751/2008-09 dated September 10, 2008 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The Exchange 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 the Exchange; or
(iii) take any responsibility for the financial or other soundness of our Company, its promoters, 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 Exchange. 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 Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at the Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C – 4A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. BSE is the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, our Company and the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholder shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the date of allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the IPO Grading Agency, the Legal Advisors, the Bankers to the Issue; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

M/s GSA & Associates, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert Opinion

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

Issue Expenses

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

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]
Underwriting and selling commission*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
IPO Grading expenses*	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]

Activity	Rs. in crore	% of the Issue Expenses	% of total Issue Size
Bankers to the Issue*	[●]	[●]	[●]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.)*	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

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

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

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue including fees for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc. will be as per the MoU signed with our Company and the Selling Shareholder, a copy of which is available for inspection at the registered office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights issue by our Company during the last five years.

Issues otherwise than for Cash

Except for issuance of 6,29,529 equity shares (having a face value of Rs. 1,000) on February 28, 1978 and allotment of one equity share (having a face value of Rs. 1,000) (partly for other than cash) on August 6, 1980 to the President of India acting through MoP, GoI, we have not issued any equity shares for consideration otherwise than for cash. For further information, see "***Capital Structure***" on page 26.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act other than our Subsidiary, details of which are provided in "***History and Certain Corporate Matters***" on page 129.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Group/Associate Companies

Our Subsidiary is unlisted and has not made a public issue of shares.

However, our associate company, PTC India Limited made an initial public offer in March, 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC India Limited. The issue proceeds have been utilised for the said purpose.

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

PTC has further allotted 6,66,65,600 equity shares of Rs. 10 each at the issue price of Rs. 75 per equity share aggregating an issue size of Rs. 499.99 crore in favour of QIBs on May 27, 2009 as per Chapter XIII-A of the SEBI Guidelines.

For further details, see "***History and Certain Corporate Matters***" on page 129.

Outstanding Debentures or Bonds

Except as described in the sections titled "***Financial Statements***" and "***Financial Indebtedness***" on pages 174 and 271, respectively, our Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

There are no outstanding preference shares issued by our Company

Partly Paid-Up Shares

There are no partly paid-up Equity Shares of our Company.

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange and thus there is no stock market data for the same.

Other Disclosures

Our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The MoU between the Registrar to the Issue, the Selling Shareholder and us, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us, the Selling Shareholder or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Mr. Vijay Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

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

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

Except our Subsidiary, we do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Changes in Auditors

The following are the details of the changes in auditors in the last five Fiscals:

S. No.	Name of Auditor	Date of Appointment	Reason for change
1.	M/s. GSA & Associates, Chartered Accountants (Formerly known as Surendar K. Jain & Co.)	July 3, 2006	Appointment as statutory auditor
2.	M/s. Batra Sapra & Co, Chartered Accountants	August 22, 2005	Appointment as statutory auditor

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

There has been no revaluation of assets of our Company since its incorporation.

SECTION VII – ISSUE RELATED INFORMATION
ISSUE STRUCTURE

The present Issue of 1,67,73,74,015 Equity Shares consists of a Fresh Issue of 1,11,82,49,343 Equity Shares and an Offer for Sale of 55,91,24,672 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] crore is being made through the Book Building Process. The Issue comprises a Net Issue of 1,63,54,39,665 Equity Shares and a reservation for Eligible Employees of 4,19,34,350 Equity Shares. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Reservation of 4,19,34,350 Equity Shares.	At least 98,12,63,799 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to 16,35,43,966 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 49,06,31,900 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Reservation of 2.50% of the Issue. **	At least 60% of Net Issue.	Up to 10% of Net Issue.	Up to 30% of Net Issue.
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	175 Equity Shares.	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	175 Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid does not exceed the Employee Reservation Portion and subject to the maximum bid by each Eligible Employee in this portion being Rs. 0.25 crore.	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 175 Equity Shares so that the Bid Amount does not exceed Rs. 1,00,000.
Mode of Allotment	Compulsorily in dematerialised	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	form.			
Bid Lot	175 Equity Shares and in multiples of 175 Equity Shares thereafter.	175 Equity Shares and in multiples of 175 Equity Shares thereafter.	175 Equity Shares and in multiples of 175 Equity Shares thereafter.	175 Equity Shares and in multiples of 175 Equity Shares thereafter.
Allotment Lot	175 Equity Shares and in multiples of one Equity Share thereafter.	175 Equity Shares and in multiples of one Equity Share thereafter.	175 Equity Shares and in multiples of one Equity Share thereafter.	175 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 ***	All or any of the following: (a) a permanent employee of our Company as of the date of this Red Herring Prospectus and based, working and present in India as on the date of submission of the Bid cum Application Form; (b) a whole time Director of our Company as of the date of this Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form; (c) an employee as defined in (a) and (b) above of a subsidiary, based, working and present in India as on the date of submission of the Bid cum Application	Public financial institutions specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, FVCIs, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 25 crore, pension funds with a minimum corpus of Rs. 25 crore and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts.	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	Form; and For the purpose of this definition, an employee who is recruited against regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will also be deemed as a permanent employee.	India published in the Gazette of India		
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	100% of Bid Amount.	10% of Bid Amount.	100% of Bid Amount.	100% of Bid Amount.

**Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded.*

*** Any under subscription in Equity Shares, if any, reserved for Eligible Employees would be included in the Net Issue and allocated in accordance with "**Issue Procedure – Basis of Allotment**" on page 411. The unsubscribed portion, if any, in the Net Issue shall be allowed to be met with spill-over to the extent of such under subscription from the Employee Reservation Portion.*

**** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.*

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Fresh Issue and the Offer for Sale, respectively, at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

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

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholder shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of Allotment. Our Company and the Selling Shareholder shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post or Direct Credit, National Electronic Fund Transfer ("**NEFT**"), Real Time Gross Settlement ("**RTGS**") or Electronic Clearing Service ("**ECS**") at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

Interest in Case of Delay in Despatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Bid/Issue Closing Date; and
- Our Company and the Selling Shareholder shall pay interest at 15% per annum if allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been issued to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bid/Issue Period

BID/ISSUE OPENS ON	**August 7, 2009**
BID/ISSUE CLOSES ON	**August 12, 2009**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m**. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and 5.00 p.m. in case of Bids by Retail Individual Bidders and Eligible Employees where the Bid Amount is up to Rs. 1,00,000 (which may be extended from time to time by the Stock Exchanges at the request of the BRLMs). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date. Bidders should specifically note that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the BRLMs and the Syndicate Member shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

Our Company and the Selling Shareholder reserve the right to revise the Price Band during the Bid/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

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

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend**.** The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of Equity Shares is Rs. 10 each. The Floor Price of Equity Shares being issued in terms of this Red Herring Prospectus is Rs. 30 per Equity Share and the Cap Price is Rs. 36 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements with the Stock Exchanges and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "***Main Provisions of Articles of Association of the Company***" on page 434.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 175 Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either to:

a. register himself or herself as the holder of the Equity Shares; or
b. make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If such money is not repaid within eight days after our Company and the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholder regarding refunds, interest for delays, etc for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to our Company.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

In the event we are not able to allocate at least 60% of the Net Issue to QIBs, we shall refund the entire application money.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. See further details see "***Main Provisions of our Articles of Association***" of the Company on page 434.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

As per RBI regulations, OCBs cannot participate in the Issue.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital of the Company. Therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated to QIBs on a proportionate basis, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds. The remainder shall 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. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. In addition, up to 2.50% of the Issue shall be made available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. QIB Bids can be procured and submitted only through the BRLMs or their respective affiliates. In case of QIB Bidders, our Company and the Selling Shareholder in consultation with BRLMs, may reject Bids at the time of acceptance of Bid cum Application Forms provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs or FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion.	Pink

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families ("**HUFs**"), in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks, regional rural banks, cooperative banks (subject to RBI regulations and SEBI Guidelines and regulations, as applicable;
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- Multilateral and bilateral development financial institutions;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance companies registered with the Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares; and
- National investment fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India; and
- Eligible Employees of the Company.

As per the existing policy of the Government of India, OCBs cannot participate in the Issue.

Note: BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates of the BRLMs and the Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or the Non-Institutional Portion, as may be applicable to such associates, where the allocation is on a proportionate basis, provided such associates are regulated by an appropriate regulatory authority such as SEBI, RBI or the Insurance Regulatory and Development Authority ("**IRDA**") etc., as applicable.

The information below is given for the benefit of the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the limits under applicable laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 4,90,63,190 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by Eligible NRIs

1. Bid cum application forms (blue in colour) have been made available for Eligible NRIs at our registered office and with members of the Syndicate.

2. Eligible NRI applicants may note that only such applications as are accompanied by payment in free foreign exchange ("**FEE**") shall be considered for Allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary ("**NRO**") accounts shall use the form meant for Resident Indians (white in colour).

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended by the SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008 ("**SEBI Regulations**"), an FII, as defined in the SEBI Regulations, or its sub account may issue, deal or hold, off shore derivative instruments (defined under the SEBI Regulations, as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised 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 foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI Regulations.

Bids by SEBI registered Venture Capital Funds

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:

The SEBI (Venture Capital) Regulations, 1996, as amended, prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund. Further, Venture Capital Funds can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Information for the Bidders:

(a) The Company will file this Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate and should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids.

(d) The Members of the Syndicate shall accept Bids from the Bidders during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms which do not bear the stamp of a member of the Syndicate, will be rejected.

(f) The Bid/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in national daily newspapers each with wide circulation (one each in English and Hindi), and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

(g) Our Company and the Selling Shareholder in consultation with the BRLMs reserve the right to revise the Price Band, during the Bid/Issue Period, in accordance with the SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. 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.

(h) Our Company and the Selling Shareholder in consultation with the BRLMs can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 175 Equity Shares and in multiples of 175 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 1,00,000. In case the Bid Price is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders Bidding at the cut-off price indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 175 Equity Share thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, are required to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion, provided such Bids are from individuals. Non-Institutional Bidders and QIBs are not allowed to Bid at Cut-off Price.

(c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of 175 Equity Shares and in multiples of 175 Equity Share thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. The Allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid by an Eligible Employee cannot exceed Rs. 0.25 crore.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see "*-**Bids at Different Price Levels and Revision of Bids***" on page 397) 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 Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under "*-**Bids at Different Price Levels and Revision of Bids***" below.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("**TRS**"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bid/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under "***-Terms of Payment and Payment into the Escrow Accounts***" on page 405.

Bids at Different Price Levels and Revision of Bids

(a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders bidding in excess of Rs. 1,00,000 and such Bids shall be rejected.

(b) Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who bid at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), such Bidders shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the

Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 175 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revisions in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(i) 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.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the BRLMs, and/or their affiliates shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs applying on a repatriation basis and pink colour for Eligible Employees).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 175 Equity Shares and in multiples of 175 Equity Shares, thereafter subject to a maximum Bid Amount of Rs. 1,00,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds Rs. 1,00,000 and in multiples of 175 Equity Share thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) Eligible NRIs for a Bid Price of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 175 Equity Share thereafter that the Bid price exceeds Rs. 1,00,000.

(f) Bids by Non Residents, NRIs and FIIs on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) 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.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bid/Issue Period. Members of the Syndicate can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not uploaded will not be considered for allocation. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed online at all bidding centres and the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bid/Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor;
- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, Employee, etc.;
- Numbers of Equity Shares bid for;
- Bid price;
- Bid cum Application Form number;
- Whether Margin Amount has been paid upon submission of Bid cum Application Form;
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by any member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotted either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the BRLMs and/or their respective affiliates have the right to accept the bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, Bids would not be rejected except on the "***Grounds for Rejection***" listed on page 408.

(h) The permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; 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.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; 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 will be listed or will continue to be listed on the BSE and NSE.

(j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or Eligible Employee bidding under the Employee Reservation portion (pink in colour);

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialised form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

g) Each of the Bidders should mention their Permanent Account Number ("PAN") allotted under the IT Act;

h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to any member of the Syndicate;

(d) Do not pay the Bid price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders for bid amount in excess of Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the number of Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Registrar nor the Escrow Collection Banks nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the bank particulars recorded in the depository account and/or the address registered with the depository participant is incorrect. The same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure re-dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, nor the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the

Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity ("**DP ID**") and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, interest, if any, on delayed payment of refund and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or, if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs, and all applicants will be treated on the same basis as other categories for the purpose of allocation.

Bids under Power of Attorney

(a) In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

(b) In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

(c) In case of Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids by Eligible Employees

Bids under the Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form).
- Eligible Employees, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/first Bidder should be an Eligible Employee.
- Only Eligible Employees would be eligible to apply in the Issue under the Employee Reservation Portion.
- Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 1,00,000.
- The maximum Bid by an Eligible Employee cannot exceed Rs. 0.25 crore.
- Bid by Eligible Employees can be made also in the 'Net Issue' portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 4,19,34,350 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and may be added to any category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs.
- If the aggregate demand in this category is greater than 4,19,34,350 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see "***Issue Procedure- Basis of Allotment***" on page 411.

Bids made by Insurance Companies

(a) In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

(b) In case of Bids made by provident funds with minimum corpus of Rs. 25 crore (subject to applicable law) and pension funds with minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

(c) Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

Our Company, the Selling Shareholder and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue (including the amount due to the Selling Shareholder) from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under ***"Issue Structure"*** on page 384. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/Allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the respective members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (a) In case of resident QIB Bidders: **"Escrow Account – NHPC Public Issue-QIB-R**"
    (b) In case of Non Resident QIB Bidders: "**Escrow Account - NHPC Public Issue-QIB-NR**"
    (c) In case of Resident Bidders: "**Escrow Account – NHPC Public Issue-R**"
    (d) In case of Non Resident Bidders: "**Escrow Account – NHPC Public Issue-NR"**
    (e) In case of Eligible Employees: **"Escrow Account – NHPC Public Issue-Employee**"

4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External ("**NRE**") Accounts or Foreign Currency Non-Resident ("**FCNR**") Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary ("**NRO**") Account of Non-Resident Bidder bidding on repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance, or out of NRO Account of Non-Resident Bidder bidding on a non repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account or NRO account.

5. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.

7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

8. Payments should be made by cheque, or demand draft drawn on any Bank (including a co-operative Bank), which is situated at, and is a member or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/ postal orders will not be accepted.

9. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

10. 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 by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in the Issue.

SUBMISSION OF BID CUM APPLICATION FORMS

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of members of the Syndicate will acknowledge the receipt of the Bid cum Application Form or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the 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 Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications are electronically strung on first name, address (1^{st} name) and applicants' status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husband's name to determine if they are multiple applications.

2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. In case of applications with common DP ID/ beneficiary ID, are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Eligible Employees both under the Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple bids.

All participation by Directors and employees will be in accordance with any laws, regulations, guidelines, circulars or notifications applicable to them.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post Allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number or PAN

Each Bidders should mention his/her Permanent Account Number ("**PAN**") allotted under the Income Tax Act, 1961 ("**IT Act**"). Act. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**.

Unique Identification Number ("UIN")

Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the SEBI (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

GROUNDS FOR REJECTIONS

In case of QIB Bidders, the BRLMs and/or their affiliates have the right to reject the Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected on, *inter alia,* the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, including minors, insane persons;
- PAN details not furnished;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders bidding in excess of Rs. 1,00,000;
- Bids for number of Equity Shares which are not in multiples of 175;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

- Bids accompanied by stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect of the Bid cum Application form do not reach the Registrar to the Issue prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by OCBs;
- Bids by US persons other than 'Qualified Institutional Buyers' as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
- Bids by persons prohibited from buying, selling or dealing in shares, directly or indirectly by SEBI or any other regulatory authority;
- Bids not uploaded in the Book would be rejected;
- Bids or revision thereof by QIB Bidders and Non – Institutional Bidders where the Bid amount is in excess of Rs. 1,00,000, uploaded after 4.00 p.m. on the Bid/Issue Closing Date;
- Bids in the retail category from corporates; and
- Bids by Directors and employees not in accordance with laws, regulations, guidelines, circulars or notifications applicable to them.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

(b) Our Company and the Selling Shareholder in consultation with the BRLMs shall finalise the Issue Price.

(c) The allocation to QIBs will be at least 60% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and not less than 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than the Mutual Fund Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, 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.

Under-subscription, if any, in any category, would be met with spill over from other categories at our sole discretion in consultation with the BRLMs.

(e) Allocation to Eligible NRIs and FIIs applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the DIPP and RBI, while granting permission for allotment of Equity Shares to them in this Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation/Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed the Prospectus. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) Subject to Section 66 of the Companies Act, 1956 the Company shall after the filing of this Red Herring Prospectus prescribed by the SEBI Guidelines, shall publish advertisement in daily newspapers with wide circulation (one each in English and Hindi).

(e) The Company will issue an advertisement after the filing of the Prospectus with the RoC in daily newspapers with wide circulation (one each in English and Hindi). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/Allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of Allotment for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/Allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to allotment reconciliation and revised CANs as set forth herein under "***Terms of the Issue***" on page 389.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, the electronic book will be processed by the Registrar to the Issue on the basis of Bid registered. Based on the electronic book, QIBs will be sent a CAN within two working days of the Bid/Issue Closing Date, indicating the number of Equity Shares that may be allocated to them. This CAN is provisional and the final allocation is subject to (i) physical application being valid in all respects along with stipulated documents being received by the Registrar to the Issue (ii) the approval of the final basis of allocation by the Designated Stock Exchange and (iii) allotment by the Board of Directors. Subject to SEBI Guidelines, certain Bid applications may be rejected/not considered for processing due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may therefore be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN shall constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and allotment of Equity Shares

(a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Electronic credit of the Equity Shares Allotted shall be completed within two working days of the approval of the basis of allocation.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 49,06,31,900 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than 49,06,31,900 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of 175 Equity Shares. For the method of proportionate basis of Allotment, see below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 16,35,43,966 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 16,35,43,966 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 175 Equity Shares. For the method of proportionate basis of Allotment see below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.
    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis subject to sectoral caps.

D. **For Employee Reservation Portion**

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 4,19,34,350 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

- If the aggregate demand in this category is greater than 4,19,34,350 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 175 Equity Shares and in multiples of 175 Equity Shares thereafter. For the method of proportionate basis of allocation, see below.

- Only Eligible Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. **Issue Details**

S. No.	Particulars	Issue details
1	Issue size	20 crore equity shares
2	Allocation to QIB (60%)	12 crore equity shares
	Of which:	
	a. Allocation to MF (5%)	0.6 crore equity shares
	b. Balance for all QIBs including MFs	11.4 crore equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	50 crore equity shares

B. **Details of QIB Bids**

S. No	Type of QIB bidders#	No. of shares bid for (in crore)
1	A1	5
2	A2	2
3	A3	13
4	A4	5
5	A5	5
6	MF1	4
7	MF2	4
8	MF3	8
9	MF4	2
10	MF5	2
	Total	**50**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. **Details of Allotment to QIB Bidders/ Applicants**

(Number of equity shares in crore)

Type of QIB bidders	Shares bid for	Allocation of 0.60 crore Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 11.4 crore Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	5	0	1.14	0
A2	2	0	0.45	0

Type of QIB bidders	Shares bid for	Allocation of 0.60 crore Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 11.4 crore Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
A3	13	0	2.96	0
A4	5	0	1.14	0
A5	5	0	1.14	0
MF1	4	0.12	0.91	1.03
MF2	4	0.12	0.91	1.03
MF3	8	0.24	1.82	2.06
MF4	2	0.06	0.45	0.52
MF5	2	0.06	0.45	0.52
	50	**6**	**11.4**	**5.16**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "***Issue Structure***" on page 384.
2. Out of 12 crore equity shares allocated to QIBs, 0.6 crore (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 11.4 crore equity shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 equity shares (including 5 MF applicants who applied for 200 equity shares).
4. The figures in the fourth column titled "Allocation of balance 11.4 crore Equity Shares to QIBs proportionately in the above illustration are arrived as under:

   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494
   - 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 114/494
   - The numerator and denominator for arriving at allocation of 11.4 crore shares to the 10 QIBs are reduced by 0.6 crore 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 Allotment in the Issue

In the event of the Issue being over-subscribed, the Company and the Selling Shareholder shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made subject to minimum lot size in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) 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.

d) In all Bids where the proportionate Allotment is less than 175 Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of 175 Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than 175 but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUNDS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("**MICR**") code as registered with their depository participant. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholder, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes not necessarily in the following order:

1. ECS – Payment of refunds would be undertaken through ECS for applicants having an account at any of the following 68 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by

Union Bank of India); Vishakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete and correct bank account details and the nine digit MICR code, from the Depositories. The payment of refunds through ECS will be undertaken for applicants having a bank account at any of the abovementioned sixty eight centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s) to be appointed for this purpose, as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit, provided the refund banker and the destination banker are agreeing to do the same. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned 15 centres managed by the RBI and whose refund amount exceeds Rs. 0.10 crore, have the option to receive refund through RTGS. Such applicants who indicate their preference to receive refund through RTGS are required to provide the Indian Financial System Code ("**IFSC**") code in the Bid-cum-application Form in the boxes meant for them. In the event the same is not provided, refund shall be made through any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank branch is NEFT enabled and has been assigned the IFSC, which can be linked to a MICR code of that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR code. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency and the past experience of the Registrars to the Issue. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through speed post/ registered post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Banks and shall be payable at par at places where Bids are received. Bank charges, if any, for collection of such cheques, pay orders or demand drafts at other centres will be borne by the Bidders.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of Allotment. Applicants residing at 68 centres where clearing houses are managed by the RBI, will get refunds through ECS subject to adequate details being available in the demographic details received from the depositories, except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of closure of the Bid/ Issue Period.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and
- Dispatch of refund order shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Refund Bankers and shall be payable at par at places where Bids are received. Bank charges, if any, for collection of such cheques, pay orders or demand drafts at other centers will be borne by the Bidders.

Disposal of applications and application moneys and interest in case of delay

The Company and the Selling Shareholder shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants within two working days of date of approval of the basis of allocation by the Designated Stock Exchange.

Where refunds are made through ECS, direct credit or RTGS, the refund instructions will be given to the refund banker within 15 days from the Bid/Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholder shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are done within seven working days from the approval of the basis of Allotment by the Designated Stock Exchange.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Issue Closing Date would be ensured; and

The Company and the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

UNDERTAKINGS BY OUR COMPANY AND THE SELLING SHAREHOLDER

The Company undertakes that:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities/ refund orders to the eligible non-resident Indians or FIIs shall be dispatched within specified time;
- No further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription etc.;
- The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received; and
- That adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalising the basis of allotment.

The Selling Shareholder undertakes that:

- The Equity Shares being sold pursuant to the offer for sale in the Issue are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- The funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholder;

- That the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time;
- That the Selling Shareholder shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received; and
- No further offer of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription etc.

The Company shall transfer to the Selling Shareholder, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account as referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilisation of the proceeds of the Issue.

Withdrawal of the Issue

The Company and the Selling Shareholder, in consultation with the BRLMs reserve the right not to proceed with the Issue at any time including after the Bid/Issue Opening Date but before the allotment of Equity Shares, without assigning any reason therof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply within seven working days of finalisation of basis of Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the SEBI.

In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated October 10, 2007, with National Securities Depository Limited ("**NSDL**"), the Company and the Registrar to the Issue.

b) Agreement dated July 6, 2007, with Central Depository Services (India) Limited ("**CDSL**"), the Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

ISSUE PROCEDURE FOR ASBA BIDDERS

This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company and the BRLMs are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/pmd/scsb.pdf. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above-mentioned SEBI website.

ASBA Process

A Resident Retail Individual Investor shall submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalised, the Registrar to the Issue shall send an appropriate request to the controlling branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the ASBA Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the BRLMs.

ASBA Bid cum Application Form

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the code of the member of the Syndicate and/or the Designated Branch of SCSB, as the case may be, for the purpose of making a Bid in terms of this Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with the SCSB, and accordingly registering such Bids. The ASBA Bidders can submit only one Bid option in the ASBA Bid cum Application Form which shall be at Cut-off Price.

Upon filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in this Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be white, if in physical form.

Who can Bid?

In accordance with the SEBI Guidelines, only Resident Retail Individual Investor can submit their application through ASBA process to bid for the Equity Shares of our Company.

Maximum and Minimum Bid Size for ASBA Bidders

The ASBA Bid must be for a minimum of 175 Equity Shares and in multiples of 175 Equity Share thereafter. The maximum ASBA Bid cannot exceed such number of Equity Shares in order to ensure that the total Bid Amount blocked in respect of the ASBA Bidder does not exceed Rs. 1,00,000. The ASBA Bidders shall bid only at the Cut-off Price indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

Information for the ASBA Bidders:

a. The BRLMs shall ensure that adequate arrangements are made to circulate copies of this Red Herring Prospectus and ASBA Bid cum Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the BRLMs shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form and that the same are made available on the websites of the SCSBs.

b. ASBA Bidders, under the ASBA process, who would like to obtain this Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs or the BRLMs. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.

c. The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.

d. ASBA Bid cum Application Forms should bear the stamp of the Syndicate Member and/or Designated Branch of the SCSB.

e. ASBA Bidders shall bid for Equity Shares only at the Cut-off Price, with a single bid option as to the number of Equity Shares.

f. ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective designated branch.

g. 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.

h. ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.

i. ASBA Bidders shall not be allowed to revise their Bid and shall not bid under any reserved category.

Method and Process of Bidding

a. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Guidelines and Red Herring Prospectus.

b. The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.

c. Each ASBA Bid cum Application Form will give the ASBA Bidder only one option to bid for the Equity Shares at the Cut-off Price i.e. at the cap price of the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in such option. After determination of the Issue Price, the number of Equity Shares bid for by the ASBA Bidder at the Cut-off Price will be considered for allocation along with the Non-ASBA Retail Bidders who have bid for Equity Shares at or above the Issue Price or at Cut-off Price.

d. Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

e. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

f. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a TRS. The TRS shall be furnished to the ASBA Bidder on request.

g. 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 after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a Non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB 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 this Issue. **ASBA Bidders are cautioned that Bids for Equity Shares made in the Issue through the ASBA Bid cum Application Form cannot be revised.**

Bidding

a. The ASBA Bidders can submit only one Bid in the ASBA Bid cum Application Form, that is, at Cut-off Price with single option as to the number of Equity Shares.

b. In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bid/Issue Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

c. In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the members of the Syndicate.

d. Our Company in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the ASBA Bidders.

e. ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.

f. In case of an upward revision in the Price Band, announced as above, the number of Equity Shares bid for shall be adjusted downwards (to the previous multiple lot) for the purpose of Allotment, such that no additional amount is required to be blocked in the ASBA Account and the ASBA Bidder is deemed to have approved such revised Bid at Cut-off Price.

Mode of Payment

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorised the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI Guidelines, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Electronic registration of Bids by SCSBs

a. In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless

(i) it has received the ASBA in a physical or electronic form; and

(ii) it has blocked the application money in the ASBA account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.

b. The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.

c. The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bid/Issue Period.

d. At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- Permanent Account Number;
- Number of Equity Shares Bid for;
- Depository Participant identification No.; and
- Client identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

e. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.

f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLMs or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.

h. The SCSB may reject the ASBA Bid, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.

i. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, based on the physical records of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

b. The book gets built up at various price levels. This information will be available with the BRLMs and the Stock Exchanges on a regular basis.

c. ASBA Bidders shall not revise their Bids.

d. The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue.

e. Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ Allotment.

Price Discovery and Allocation

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the Retail Individual Investor applied under the non ASBA process to determine the demand generated at different price levels.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of

Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue. Investors should note that our Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and

(b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

Unblocking of ASBA Account

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Bid, as the case may be.

Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the bank account of the ASBA Bidders to the ASBA Public Issue Account on the Designated Date, to the extent applicable, our Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued, transferred and allotted** only **in the dematerialised form to the Allottees**. Allottees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

GENERAL INSTRUCTIONS

Do's:

a. Check if you are a Resident Retail Individual Investor and eligible to Bid under ASBA process.

b. Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.

c. Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is white in colour).

d. Ensure that your Bid is at the Cut-off Price.

e. Ensure that you have mentioned only one Bid option with respect to the number of equity shares in the ASBA Bid cum Application Form.

f. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

g. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/collecting banks (assuming that such collecting bank is not a SCSB), to the Company or Registrar or BRLMs.

h. Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.

i. Ensure that you have mentioned the correct bank account No. in the ASBA Bid cum Application Form.

j. Ensure that you have funds equal to the number of Equity Shares Bid for at Cut-off Price available in ASBA account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.

k. Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.

l. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.

m. Ensure that you have mentioned your PAN allotted under the I.T. Act.

n. Ensure that the name(s) and PAN given in the ASBA Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.

o. Ensure that the Demographic Details are updated, true and correct in all respects.

Don'ts:

a. Do not submit an ASBA Bid if you are not a Resident Retail Individual Investor.

b. Do not submit an ASBA Bid if you are applying under any reserved category.

c. Do not revise your Bid.

d. Do not Bid for lower than the minimum Bid size.

e. Do not Bid on another ASBA or Non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

f. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.

g. Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.

h. Do not fill up the ASBA Bid cum Application Form such that the bid amount against the number of Equity Shares Bid for exceeds Rs. 1,00,000.

i. Do not submit the GIR number instead of the PAN Number.

j. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

Bids by ASBA Bidders must be:

a. Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.

b. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

c. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Bid cum Application Form.

d. The Bids must be for a minimum of 175 Equity Shares and in multiples of 175 Equity Share thereafter subject to a maximum of such number of Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000.

e. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

ASBA Bidder's depository account and bank details

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER AND PAN IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME AND PAN GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE ASBA BID CUM APPLICATION FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/Allocation advice and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, or the Company shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

Payment mechanism under ASBA

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

ASBA Bids under Power of Attorney

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject such ASBA Bids.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that we, in consultation with the BRLMs may deem fit.

OTHER INSTRUCTIONS

Withdrawal of ASBA Bids

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bid/Issue Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA cum Application Form after the Bid Closing date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Issue before finalisation of the Basis of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalisation of the Basis of Allotment.

Joint ASBA Bids

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

Multiple ASBA Bids

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are described in "***Issue Procedure- Multiple Bids***" on page 407.

Permanent Account Number

For details, see "***Permanent Account Number or PAN***" on page 408.

Right to Reject ASBA Bids

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

GROUNDS FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS

In addition to the grounds listed under "***Grounds for Rejections***" on page 408, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for;
2. Bids at a price other than at the Cut-off Price;
3. Age of first Bidder not given;
4. Bid made by categories of investors other than Resident Retail Individual Investors including any reserved category;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. PAN not stated, or GIR number furnished instead of PAN. See "***Issue Procedure - Permanent Account Number or PAN***" on page 408;
7. Bids for number of Equity Shares, which are not in multiples of 175;
8. Authorisation for blocking funds in the ASBA Bidder's bank account not ticked or provided;
9. Multiple Bids as defined in this Red Herring Prospectus;

10. In case of Bid under power of attorney, relevant documents are not submitted;
11. ASBA Bids accompanied by stockinvest/money order/postal order/cash;
12. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;
13. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or a member of the Syndicate;
14. ASBA Bid cum Application Form does not have the Bidder's depository account details;
15. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and this Red Herring Prospectus;
16. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;
17. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), PAN, the DP ID and the beneficiary account number; and
18. If the ASBA Bid in the Issue is revised.

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

COMMUNICATIONS

All future communication in connection with ASBA Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted and bank account number in which the amount equivalent to the Bid amount was blocked. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. The Company, the Selling Shareholder, the BRLMs, the Syndicate Members and the Registrar to the Issue accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI Guidelines.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

Disposal of Investor Grievances

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

Impersonation

For details, see "***Issue Procedure- Impersonation***" on page 418.

Basis of Allocation

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders. For details, see section "***Issue Procedure- Basis of Allotment***" on page 411.

Method of Proportionate basis of allocation in the Issue

ASBA Bidders, along with non-ASBA Bidders, will be categorised as Retail Individual Bidders. No preference shall be given vis-à-vis ASBA and non-ASBA Bidders.

Undertaking by our Company

In addition to our undertakings described under "***Issue Procedure- Undertaking by our Company***", with respect to the ASBA Bidders, we undertake that adequate arrangement shall be made to consider ASBA Bidders similar to other Bidders while finalising the basis of allocation.

Utilisation of Issue Proceeds

Our Board has provided certain certifications with respect to the utilisation of Issue Proceeds. For details, see "***Issue Procedure- Utilisation of Issue Proceeds***" on page 419.

SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act, and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures, their consolidation or splitting are as provided below. Each provision below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

Capital	5.	The Share capital of the Company is Rs 1,50,00,00,00,000 (Rupees Fifteen thousand crore Only) divided into 15,00,00,00,000 (Fifteen hundred crore only) Equity Shares of Rs 10/- each.
Allotment of Shares	6.	Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of Section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
		CERTIFICATES
Members' right to certificates	7	Subject to the requirements of Listing Agreement and the bye-laws of the Stock Exchanges, every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the Shares/Debentures of each class or denomination registered in his name, or if the Directors so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one or more of such Shares/Debentures and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Share/Debentures, as the case may be. Every certificate of Shares/Debenture shall be under the seal of the company and shall specify the number and

distinctive numbers of Shares/Debentures in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a Share(s)/debenture(s) held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares/Debentures to one of several right holders shall be sufficient delivery to all such holders.
Provided that in case of securities held by the Member/Bond/Debenture holder in dematerialised form, no Share/Bond/Debenture Certificate(s) shall be issued.

Issue of new certificates in place of one defaced, lost or destroyed

8. If any security certificate be worn out, defaced mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees.

Provided that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

Calls on Shares/Debenture

8A The Board of Directors may from time to time, make calls upon the members or debenture-holders in respect of any moneys unpaid on their shares or debentures and specify the time or times of payments and each member or debenture holder shall pay to the Company at the time or times so specified the amount called on his shares/debentures.

Provided however that the Directors may from time to time at their discretion extend the time fixed for the payment of any call.

When interest on Calls is payable

8B. If the sum payable in respect of any call be not paid on or before the day appointed for payment thereof the holder for the time being or allottee of the share/debenture in respect of which a call shall have been made, shall pay interest on the same at such rate as the Board of Directors shall fix, from the day appointed for the payment thereof to the day of actual payment, but the Board of Directors may waive payment of such interest wholly or in part.

Calls paid in advance

8C. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by Directors provided that money paid in advance of calls shall not confer a right to participates in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

TRANSFER AND TRANSMISSION OF SHARES

Transfer & Transmission of Shares/Debenture

9(a) Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except;

When the transferee is in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;

When any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor when the transferor objects to the transfer provided he serves on the company within a reasonable time a prohibitory order of a court of competent jurisdiction.

(b) Subject to the provisions of Section 111 and 111A of the Act, the provisions of the Listing Agreement with the Stock Exchanges and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

(c) The instrument of transfer in case of shares/debentures held in physical form shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

(d) No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

(e) A common form of transfer of shares or debentures as the case may be, shall be used by the Company.

Register of Transfer

10. The Company shall keep the Registers of Transfer of Shares and Transfer of Debentures and therein enter the particulars of several transfers or transmission of any share or debenture.

Execution of Transfer

11. The instrument of transfer of any share or debenture in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share or debenture until the name of the transferee is entered in the Register of Members or (debenture-holder) in respect thereof.

BOARD OF DIRECTORS

32. The business of the Company shall be managed by a Board of Directors subject to the compliance of conditions stipulated in Department of Public Enterprises OM No. 11/36/97-Finance dated October 9, 1997 read with OM No. 18(24)/2003-GM-GL-65 dated August 5, 2005 or as amended time to time.

Number of Directors

33. The president shall, from time to time, determine the number of Directors of the Company and which shall be not less than 4 and not more than 15. Provided the number of Independent directors in any case shall not be less than 50% of the actual strength of the Board.

Appointment of the Board of Directors

34. (i) (a) The Chairman shall be appointed by the President. All other members of the Board of Directors including Vice-Chairman shall be appointed by the President in consultation with the Chairman of the Company. No such consultation will be necessary in case of appointment of Directors representing the Government.

(b) The Directors shall be paid such salary and/or allowances 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-third (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third, shall retire from office.

Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in Office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, by determined by lot.

A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Directors or some other person thereto.

If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless:

(i) At that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost.

(ii) The retiring Director has by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed.

(iii) He is not qualified or is disqualified for appointment.

(iv) A resolution, whether special or ordinary, is required for his appointment by virtue of any provisions of the Act.

(v) The proviso to sub-section (2) of Section 263 is applicable to the case.

(iv) A Director representing the Government Department shall retire on his ceasing to be an official of that Department.

(v) The President may, from time to time or any time remove any part time Director, from office at his absolute discretion. Chairman and whole-time Directors may be removed from office in accordance with the terms of appointment or if no such terms are specified on the expiry of '3 months' notice issued in writing by the President, with immediate effect on payment of the pay in lieu of the notice period.

(vi) President shall have the right to fill any vacancy of the office of the Directors including Chairman & Managing Director appointed by him, caused by removal, resignation, death or otherwise and to substitute any Director, including Chairman, in place of existing Director.

Alternate Director 35. In place of a Director who is out of India or is about to go out of India or who expects to be absent for not less than three months from the State in which meeting of the Directors are ordinarily held, the President may appoint, in consultation with the Chairman of the Company any person to be an Alternate Director during his absence out of India or his absence of not less than three months from the State in which the meeting of the Board are ordinarily held and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meetings of the Board and to attend and to vote thereat accordingly.

36. (i)The President may, from time to time, appoint the Chairman or any of the Directors to the office of Managing Director(s) of the Company for such term and such remuneration (whether by way of salary or otherwise) as he may think fit, and may, from time to time, remove or dismiss him or them from office and appoint another or others in his or their place or places in accordance with the provisions of Article 35. Any such Director appointed to any such office shall, if he ceases to hold the office of Chairman/Director from any cause, ipso facto immediately cease to be Managing Director(s) as the case may be.

(ii)Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time, entrust and confer upon the Chairman, Managing Director, Director for the time being, such of the powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any such powers.

Division of Profits and Dividend

Division of profits 50. (i)The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

(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 of the dividend as to the amount of the profits of the company shall be conclusive.

(iv) Subject to the provisions of Section 205 of the Act as amended, no dividend shall be payable except in cash.

(v) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

(vi) Any one of the several persons who are registered as the joint holders of any shares, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

(vii) Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of the joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

The Company in General Meeting may declare a dividend

51. The Company in General Meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.

Interim Dividend

52. The Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Unpaid or Unclaimed dividend

52A. There shall not be any forfeiture of unclaimed dividends and the Company shall comply with the applicable provisions of the Act relating to transfer of unclaimed and unpaid dividend to the Investor Education & Protection Fund or to any such other fund as may be required under applicable laws.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at NHPC Office Complex, Sector - 33, Faridabad 121 003, Haryana, India, from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letters dated February 13, 2007 for appointment of Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited as BRLMs.

2. MoU dated March 30, 2007 and the amendment to the MoU dated August 4, 2008 amongst our Company, the Selling Shareholder and the BRLMs.

3. MoU dated March 30, 2007 and the amendment to the MoU dated August 4, 2008 amongst our Company and the Selling Shareholder with Registrar to the Issue.

4. Escrow Agreement dated July 24, 2009 amongst our Company, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.

5. Syndicate Agreement dated July 24, 2009 amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members.

6. Underwriting Agreement dated [●] amongst our Company, the Selling Shareholder, the BRLMs and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.

2. Our certificate of incorporation dated November 7, 1975.

3. Shareholder's resolution dated March 13, 2007 in relation to this Issue and other related matters.

4. Letter No. 16/47/2001-DO (NHPC) dated January 8, 2007 from the MoP to the Company approving the Issue.

5. Letter No. 16/47/2001-DO (NHPC) dated March 8, 2007 from the MoP to the Company approving the Offer for Sale by the Selling Shareholder.

6. MoP letter no. 16/47/2001-DO (NHPC) dated March 13, 2007 granting approval for lock-in of 20% of the fully diluted post-Issue paid-up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre-Issue Equity Share capital of our Company (excluding the Offer for Sale) for a period of one year from the date of Allotment.

7. Letter No. 16/47/2001- NHPC dated July 7, 2009 from the MoP to the Company authorising Mr. Rakesh Jain, Joint Secretary and Financial Advisor, MoP to, *inter alia,* execute, sign and deliver such deeds, documents and agreements and to do all such acts, deeds required for the purpose for effecting the offer for sale by the GoI of its shareholding in our Company.

8. FIPB approval vide letter no. FC.II: 211(2008)/263(2008) dated September 29, 2008 from the FIPB Unit, Department of Economic Affairs, Ministry of Finance, GoI.

9. Resolutions of the Board dated February 7, 2007, March 13, 2007, May 30, 2008 and June 19, 2009 authorising the Issue.

10. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors.

11. MoP letter no. 20/1/2002-DO (NHPC) dated May 17, 2007 and MoP letter no. 9/3/2006-DO(NHPC) dated January 9, 2009 regarding terms and conditions of appointment of our Chairman and Managing Director, Mr. S.K. Garg and our Director (Finance), Mr. A.B.L. Srivastava, respectively.

12. Statement of Tax Benefits, and the Report of the Auditors, M/s. GSA & Associates, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.

13. Copies of annual reports of our Company for the past five Fiscals.

14. Consents of the Auditors, M/s. GSA & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.

15. Consents of Auditors, IPO Grading Agency, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel to the Company, International Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

16. Applications dated August 20, 2008 for in-principle listing approvals from BSE and NSE, respectively.

17. In-principle listing approvals from BSE and NSE dated September 10, 2008 and August 27, 2008, respectively.

18. Agreement among NSDL, our Company and the Registrar to the Issue, dated October 10, 2007.

19. Agreement among CDSL, our Company and the Registrar to the Issue, dated July 6, 2007.

20. Due diligence certificate to SEBI from Enam Securities Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited, dated August 5, 2008.

21. SEBI interim observation letter (Ref. No. CFD/DIL/ISSUES/PB/RA/136495/2008) dated August 29, 2008 and our reply to the same dated September 4, 2008.

22. SEBI observation letter (Ref. No. CFD/DIL/PB/RA/138283/2008) dated September 18, 2008, and our in-seriatim reply to the same, dated July 3, 2009.

23. MoU with the government of Madhya Pradesh dated May 16, 2000.

24. Memorandum of Agreement with the government of Arunachal Pradesh dated June 24, 2007.

25. MoU with the government of Manipur dated September 14, 2007.

26. Joint venture agreement with NTPC Limited, Power Finance Corporation Limited and Tata Consultancy Services Limited dated September 3, 2008.

27. Promoters' agreement with government of Manipur dated September 26, 2008.

28. Memorandum of understanding with the Governor of Jammu and Kashmir through the Secretary to the Government, Power Development Department, Government of Jammu and Kashmir, Jammu & Kashmir State Power Development Corporation Limited and PTC India Limited dated October 10, 2008.

29. Joint venture agreement with the NTPC Limited, Powergrid Corporation of India Limited and Damodar Valley Corporation dated April 8, 2009.

30. IPO Grading Report by ICRA Limited dated June 22, 2009.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued there under, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by the Selling Shareholder

Joint Secretary and Financial Advisor,
Ministry of Power, Government of India

Signed by all Directors

1.	Mr. S. K. Garg Chairman and Managing Director	
2.	Mr. A.B.L. Srivastava Director (Finance)	
3.	Mr. D.P. Bhargava Director (Technical)	
4.	Mr. J.K. Sharma Director (Projects)	
5.	Mr. R.S. Mina Director (Personnel)	
6.	Mr. Jayant Kawale Government Nominee Director	
7.	Ms. Komal Anand Independent Director	
8.	Mr. Arun Kumar Mago Independent Director	
9.	Mr. Raman Sidhu Independent Director	
10.	Mr. R. Jeyaseelan Independent Director	
11.	Dr. Kuriakose Mamkoottam Independent Director	
12.	Mr. K. Dharmarajan Independent Director	

Dated: July 26, 2009

Place: Faridabad

ANNEXURE I

IPO GRADING REPORT

ICRA Limited

An Associate of Moody's Investors Service

Ref : D/RAT/2009-10/N16/2

Date: June 22, 2009

NHPC Limited
NHPC Office Complex
Sector 33, Faridabad 121003
Haryana

Dear Sirs,

Re : ICRA Grading of Initial Public Offer of 1,67,73,74,015 nos. Equity Shares of Rs. 10 each to be issued by NHPC Limited to the Public ("IPO")

Please refer to your mandate letter No. NH/Finance/DFS/453 dated 15th May 2008 for grading the IPO of NHPC Limited. The Rating Committee of ICRA, after due consideration, has assigned the **"ICRA IPO Grade 3"** (pronounced ICRA IPO Grade Three) grading to the captioned IPO programme. This grading indicates average fundamentals.

In any of your publicity material or other document wherever you are using the above grading, it should be stated as **"ICRA IPO Grade 3".** We would appreciate if you can sign on the duplicate copy of this letter and send it to us as a token of your acceptance of this letter. The rationale for assigning the above grading will be sent to you in due course.

This grading is specific to the terms and conditions of the proposed IPO issue and Securities and Exchange Board of India's (SEBI) observations dated September 18th 2008 as was indicated to us by you. Any change in the terms or size of the IPO and/ or any fresh Observations from SEBI would require the grading to be reviewed by us. If there is any change in the terms and conditions or size of the rated IPO, as above, the same must be brought to our notice before the issue of the IPO. If there is any such change after the grading is assigned by us, it would be subject to our review and may result in change in the grading assigned.

ICRA reserves the right to suspend, withdraw or revise the above grading at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the aforesaid grading assigned to you.

Sabyasachi Majumdar

Building No. 8, 2nd Floor
Tower A, DLF Cyber City
Phase II, Gurgaon - 122002

Tel. : + 91 - 124 - 4545300
Fax : + 91 - 124 - 4545350

website : www.icra.in
email : info@icraindia.com

Regd. Office: 1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi - 110001

RATING • RESEARCH • INFORMATION

The grading, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Equity Shares to be issued by you. If the instrument rated, as above, is not issued by you within a period of 6 months from date of this letter communicating the grading, the same would stand withdrawn unless revalidated before the expiry of 6 months.

You are required to keep us forthwith informed of any developments (including any default or delay in repayment of interest or principal amount of any debt instruments/ borrowing or proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts) which may have a direct or indirect impact on the grading assigned to the aforesaid IPO programme.

In determining the grading, ICRA has relied on the information available/made available to it by your company and ICRA does not guarantee the completeness or accuracy of such information on which the rating is based

We thank you for your kind cooperation extended during the course of the grading exercise. Should you require any clarification, please do not hesitate to get in touch with us.

With kind regards,

Yours sincerely,
for ICRA Limited

Sabyasachi Majumdar
Vice President

Rohit Inamdar
Vice President

NHPC LIMITED

Issue Details

NHPC Limited proposes to come out with an Initial Public Offer (IPO) of 1.67 billion equity shares of face value Rs.10 each through the book building route during August 2009. Subsequent to employee reservation of 41.93 million equity shares, the net issue to public will be 1.63 billion equity shares. Of the net issue, at least 60% would be reserved for Qualified Institutional Buyers (QIBs), up to10% of the net issue will be reserved for non-institutional investors, and up to 30% of the net issue shall be reserved for retail investors. Post-IPO, the shares will be listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Proposed Use of IPO Proceeds

The IPO proceeds are proposed to be used primarily to:

- To part finance the construction and development cost of the following hydro power projects:
  - 2000 MW Subhansiri Lower Project in Arunachal Pradesh
  - 240 MW Uri – II project located in Jammu and Kashmir
  - 231 MW Chamera III project located in Himachal Pradesh
  - 520 MW Parbati – III project located in Himachal Pradesh
  - 45 MW Nimmo Bazgo project located in Jammu and Kashmir
  - 44 MW Chutak project located in Jammu and Kashmir
  - 160 MW Teesta Low Dam – IV project located in West Bengal
- Fund general corporate expenditure

IPO Grading

ICRA has assigned an IPO Grade 3 to the proposed IPO of NHPC Limited (NHPC), indicating average fundamentals. ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include, *inter alia*, business and competitive position, financial position and prospects, management quality, corporate governance, and history of compliance and litigation.

Contacts

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Website
www.icra.in

Strengths

- Largest Hydro power generator in the country with substantial experience in design, development, execution and operation of Hydro-Electric Projects (HEP)
- Highly competitive power tariffs with average tariff for power sale at Rs 2.03/Kwh during 2008-09
- Strong operating efficiency as reflected in average Capacity Index (CI[1]) of 93.61% for 2008-09
- NHPC's projects are located in India's Northern and North-Eastern regions, which have favorable hydrology, thereby ensuring sufficient water availability for power generation
- Negligible operating costs and no fuel price escalation risks ensures tariff competitiveness
- High energy deficits in Northern and North-Eastern states ensure sufficient demand for power from existing power stations as well as the projects under construction, which is also reflected in Power Purchase Agreements (PPAs) entered for significant portion of capacity under construction
- Sustained improvement in billing collections as reflected in 100% collections during last 6 years
- Comfortable capital structure and ability to contract longer-tenure debt mitigates funding risks

Concerns

- Significantly longer project execution period for hydro power project depresses the equity returns during the construction period
- Regulated tariff for all the projects limits the potential upside on equity
- Difficult terrains, climatic conditions and geological surprises has resulted in delays in some of the ongoing projects, which can possibly lead to increase in project costs and tariff from these projects
- Highly concentrated customer profile towards North and North-East based State electricity utilities, which have a relatively weak financial profile poses counter party credit risk.

Grading Rationale

The IPO grade assigned by ICRA reflects NHPC's established position in hydro power generation business, its significant size of operating as well as under construction projects, competitive tariffs of its plants and strong operating efficiencies. The grading also factors in the healthy track record of power generation from operational projects arising out of favourable hydrology of the rivers on which these projects are located as well as the high Capacity Index of its operational plants, which enables NHPC to recover full Annual Fixed Charges (AFC[2]). NHPC owing to its project locations has a highly concentrated customer profile, which largely includes North and North-East based State Electricity Utilities (SEUs). While these SEUs have relatively weak financial profiles, however NHPC has been able to realise 100% of its billings in last 6 years following the implementation of the recommendation of Ahluwalia Committee. The grading is however constrained on account of significantly longer execution period of hydro power projects, during which equity investments are not entitled for any returns thereby depressing the return on equity. Subsequent to project commissioning, while regulated tariff regime for provides for stable equity returns, however it caps equity upside. Going forward, ICRA expects the NHPC's power tariffs and equity returns will continue to remain dependent upon regulatory regime. ICRA also expects that on account of significant expenditure being undertaken by NHPC towards various hydro power projects under construction, it will have significant equity outlay towards these projects, which will keep the overall equity returns lower than regulated equity returns. The grading is also constrained on account of possible time and cost overruns in under-construction projects; primarily arising out of difficult terrains, climatic conditions and geological surprises, which pose risks in terms of further delaying the earning contribution from these assets.

Entity Profile

NHPC is the largest HEP developer in the country and was promoted by Government of India (GoI) in 1975, with an objective of developing hydroelectric and renewable power projects. The company has 13 HEP plants in operation with an installed capacity of 5,175 MW, which includes two plants with an installed capacity of 1,520 MW in its 51% owned subsidiary, Narmada Hydroelectric Development Corporation (NHDC). NHPC is currently undertaking construction of 11 HEP plants with a total installed capacity of 4,622 MW and 8 of these projects totalling 1492 MW are scheduled for completion by the year 2011-12. NHPC generated 16,582 Million Units (MUs) in 2008-09 as against 14,811 MUs in 2007-08. NHDC reported a power generation of 2,369 MUs in 2008-09 from 3,432 MUs in 2007-08. On consolidated basis, NHPC reported an Operating Income (OI) of Rs 34.94 billion and Profit After Tax (PAT - excluding minority interest) of Rs 12.44 billion in 2008-09 as against an OI of Rs 29.31 billion and PAT of Rs 12.07 billion in 2007-08.

[1] Capacity Index is a factor to measure the plant's power generating capability in relation to its capacity based on the water availability conditions, which should be minimum 90% for NHPC's projects
[2] Annual Fixed charges consists of 1) interest on loan capital, 2) Depreciation, 3) Regulated Return on Equity (presently at 15.5%), 4) Operation and Maintenance expenses, 5) Interest on Working Capital

Promoters and Management

NHPC is promoted by GoI, and President of India acting through Ministry of Power (MoP) currently holds almost 100% equity in the company. Post the issue the equity shareholding of GoI will decline to around 86.36% and hence will continue to remain the largest shareholder in the company. The company's management include technically qualified personnel, who have significant experience in power sector and have worked in diverse business fields. The company holds 51% equity shares in NHDC and 5.28% shareholding in Power Trading Corporation (PTC). The Board of Directors of NHPC are appointed by MoP (GoI), and it will continue to have control on the appointment of directors post the issue.

Business and competitive position

Largest Hydro power generator in the country

NHPC is the largest Hydro power generator in the country with 13 HEP with an installed capacity of 5,175 MW. Apart from these projects, NHPC has 11 HEP under construction totalling 4,622 MW and 8 of these projects totalling 1492 MW are scheduled for completion by the year 2011-12. The company also has seven HEP totalling 6,731 MW under various stages of clearances, and nine HEP totalling 7,255 MW, which are currently under Survey and Investigation. With 5,175 MW of capacity under operation, NHPC accounts for almost 14% of the 37,000 MW of hydel generating capacity in India.

Table 1: Past Trends on NHPC's installed capacity and gross power generation

	2004-05	2005-06	2006-07	2007-08	2008-09
Installed Capacity (MW)	2,449	3,729	4,249	5,175	5,175
Gross Generation (Million Units)	12628	15141	15654	18243	18951

Source: Company's Annual Reports, DRHP

Highly competitive power tariffs and strong operating efficiencies

Despite higher initial capital costs for a hydro power project, the tariff from a hydro power project is usually lower than that of a thermal power plant owing to absence of fuel requirements. Moreover these tariffs are non-inflationary as in case of thermal power projects, where fuel costs may be exposed to inflation risks. Almost all the plants of NHPC have competitive power tariff, which is reflected in NHPC's average selling price of electricity, which stood at Rs 2.03/kwh in 2008-09. Since Hydro power is the most suitable alternative for meeting peaking energy requirements, the competitiveness of tariff is even better.

NHPC has also strong operating performance as reflected in significantly higher level of CI ranging from 94% to 98% over past years, which is higher than the stipulated regulatory norm of 90% for recovery of AFC.

Table 2: Snapshot of the operational projects of NHPC

Power Station and State		Installed Capacity (MW)	Design Energy[3] (MUs)	Actual Generation 2008-09 (MUs)	Estimated Tariff 2007-08 Rs/Kwh	Capacity Index (%) 2008-09
Baira siul	Himachal Pradesh	180	779	673	0.66	93%
Loktak	Manipur	105	448	498	1.13	88%
Salal	Jammu & Kashmir	690	3082	3009	0.56	99%
Tanakpur	Uttarakhand	120	452	428	1.01	93%
Chamera I	Himachal Pradesh	540	1665	2142	1.14	98%
Uri I	Jammu & Kashmir	480	2587	3032	1.19	100%
Rangit	Sikkim	60	339	333	1.39	91%
Chamera II	Himachal Pradesh	300	1500	1372	2.19	98%
Dhuliganga I	Uttarakhand	280	1135	1117	1.55	90%
Dulhusti	Jammu & Kashmir	390	1907	2199	3.00	96%
Teesta V	Sikkim	510	2573	1887	1.62	76%
Indira Sagar	Madhya Pradesh	1000	1979	1569	2.40	98%
Omkareshwar	Madhya Pradesh	520	1167	800	2.21	99%
Total		**5175**	**19612**	**18951**		

Source: Company, CERC Tariff orders, ICRA estimates

[3] Design energy is the energy which a station can generate in a 90% dependable year for water availability.

Limited demand risks for the proposed projects on account of high level of power deficits in Northern and North-Eastern states

Since all the NHPC's Projects (operational as well as those under-construction) are run on the river type hydel projects (except for projects in NHDC), which require perennial rivers, hence these projects are located in Northern and North-Eastern states of the country. While this poses risks arising out of geographical concentration of projects, inadequate demand from states located in these regions, however persistent power deficit faced by these regions mitigate the demand risks from these projects.

Table 3: Past Trends in Power Deficit Levels in Northern and North-Eastern Region

Period	Peak Deficit (MW)	Peak Deficit (%)	Energy Deficit (MU)	Energy Deficit (%)	Peak Deficit (MW)	Peak Deficit (%)	Energy Deficit (MU)	Energy Deficit (%)
	Northern Region				North-East Region			
9th Plan End	-1854	-8.0	-7973	-5.3	-105	-9.1	-80	-1.3
2002-03	-2203	-9.1	-12392	-7.9	-74	-6.1	-155	-2.4
2003-04	-1546	-6.5	-8852	-5.5	-188	-14.9	-352	-5.3
2004-05	-2709	-10.1	-16140	-9.2	-144	-11.3	-445	-6.3
2005-06	-2954	-10.5	-20183	-10.7	-193	-13.9	-646	-8.6
2006-07	-4872	-15.5	-22139	-11.0	-311	-21.1	-770	-9.9
2007-08	-2967	-9.1	-23650	-10.8	-395	-22.7	-1086	-12.3
2008-09	**-3530**	**-10.7**	**-24290**	**-10.8**	**-462**	**-25.4**	**-1273**	**-13.5**

Source: CEA

Strong collections efficiency, though customer's financial profile continues to remain weak

Owing to location of NHPC projects in North and North-East Region, the SEUs located in these region accounts for over 90% of NHPC's electricity sales. Among the individual states, Uttar Pradesh (UP) accounts by the largest chunk of power sales, followed by states of Punjab, Rajasthan, Jammu and Kashmir, Delhi and Haryana among others. While the financial profile of the SEUs in these states have remained week, thereby exposing NHPC to counterparty credit risk, however NHPC's electricity sale to these SEUs is supported by letter of credit (LC) from banks, which can be used in case of delays in payments from its customers. This is further supported by a tripartite agreement between the customer state, Reserve Bank of India (RBI) and GoI, whereby NHPC can recover the payments from the central plan assistance given to the state by GoI. As a result of these measures, NHPC, for the last few years has reported almost 100% collections against the billing to the respective states.

Regulated tariff for all the projects caps the potential upside on equity

The tariff for all the NHPC's power stations is determined by Central Electricity Regulatory Commission (CERC) Regulations 2009 (Terms and Conditions of Tariff), which are in force for the period April 2009 to March 2014. As per the regulations, NHPC is entitled to a 15.5% Return on Equity (RoE) from the date of commercial operations of the project. As per the regulations, 70:30 is the favourable debt: equity ratio for a project and any equity in excess of 30% is treated as a notional loan and is eligible for a return equivalent to weighted average cost of debt. While NHPC has some of its operational projects, which were funded with an equity component of up to 50%, however since these projects were funded under old regulations, NHPC is eligible for a 15.5% RoE on the additional equity.

Despite a regulated return on equity of 14% during the previous regulatory period starting from 2004-05 to 2008-09, NHPC's Return on Net Worth[4] (RoNW) has remained significantly lower in the range of 5~7%, on account of significant blockade of equity towards projects under construction. Since any equity contribution towards projects under construction is not eligible for returns, the actual RoNW for NHPC remained significantly lower than 14% during the previous regulatory period.

While new CERC guidelines are expected to have positive impact on NHPC's profitability, however it will pose considerable operational challenges

During January 2009, CERC has announced new tariff guidelines for Hydro Power stations. These guidelines are expected to pose operational challenges to most of the hydro power stations (including NHPC) on account of certain changes in operational norms. For hydro power generating stations, much of the costs are fixed in nature, which are classified as capacity charges or AFC, the components of AFC are as follows:

[4] RoNW is defined as, (Profit After Tax)/(Net worth)

Table 4: Annual Fixed Charges for Hydro Power Projects

	Component of AFC	2009-14	2004-09	Remarks
a	Return on Equity	15.5%	14%	Significantly Positive
b	Interest on Loan Capital	As per Actual	As per Actual	Marginally Positive
c	Depreciation	5.28%	2.57% + AAD*	Negative
d	Interest on Working Capital	Based on Normative Parameters		Marginally Negative
e	Operation & Maintenance Costs	Based on Normative Parameters		Positive

* AAD: Advance Against Depreciation

CERC has allowed an increase in Return on Equity (RoE) and O&M expenses, which is expected to have a significant positive impact on NHPC's profitability, which will be partially offseted by tightening of working capital norms and non-recovery of taxes on incentive income.

To recover these AFC, NHPC has to operate closer to the operational parameters specified by CERC, which followed the concept of CI during previous regulatory periods. Under previous regulations, a hydro power plant was in a position to declare a high CI based on its machine availability, and hence were in a position to declare a high CI irrespective of water availability and hence becoming eligible for recovery of AFC as well as incentives. As a result, these plants were protected against hydrological risks. However under new tariff regulations, the recovery of AFC is linked to the ability of the plant to generate power closer to its installed capacity for a minimum period of 3 hours a day, thereby exposing a plant to operational challenges and hydrology risk. However these concerns are mitigated to an extent from the fact that the regulator has taken in view the actual hydrology conditions for various plants for the past few years while specifying the norms.

New Project –Risks and prospects

Significant addition to generation generating capacity from ongoing projects

NHPC is currently undertaking construction of 11 HEP plants with a total installed capacity of 4,622 MW and 8 of these projects totalling 1492 MW are scheduled for completion by the year 2011-12. Considering its existing installed capacity of 5,175 MW, these projects will result in significant increase in NHPC's installed power capacity as well as power sales. The tariff for all these projects will be determined as per CERC's tariff regulations.

Similar to its operational projects, all these projects are located in the North and North-Eastern region of the country on account of the huge unexploited hydro power potential these regions offer because of presence of many perennial rivers. While these regions provide significant opportunities for hydro power projects, however difficult terrains, prolonged monsoons and geological surprises pose considerable project execution challenges also. Though NHPC has a track record of executing projects under similar conditions, which mitigates these concerns to an extent, however the challenges on project execution will continue to remain high.

As can be seen from the table 5, some of the NHPC's ongoing projects have a significantly higher capital cost, which will possibly lead to higher tariffs for these stations. Owing to their high project costs and strategic importance of these projects for the country, GoI has sanctioned significantly longer-tenure subordinate debt with subsidized interest cost, which is due to for repayment in later years of plants operations. This will be highly instrumental in reducing the tariff from these projects, thereby mitigating the power off take risks from these projects. Moreover NHPC has already signed Power Purchase Agreements (PPAs) for all its ongoing projects with STUs of the states where these projects are located and other STUs in Northern and North-eastern region.

Table 5: Snapshot of NHPC's ongoing projects

Power Station and State		Installed Capacity (MW)	Design Energy[5] (MUs)	Scheduled Date of Commissioning	Project Cost[6] (Rs Crore)	Cost/MW (Rs Crore)
Teesta Low Dam IV	West Bengal	160	720	Aug-11	1061	6.63
Teesta Low Dam III	West Bengal	132	594	Feb-11	768	6.73
Chutak	Jammu & Kashmir	44	213	Feb-11	621	14.12
Nimmo bazgo	Jammu & Kashmir	45	239	Aug-10	611	13.58
Kishan Ganga	Jammu & Kashmir	330	1350	Jan-16	3642	11.01
Sewa II	Jammu & Kashmir	120	534	Dec-09	665	5.55
Parbati II	Himachal Pradesh	800	3109	Mar-13	3920	4.90
Parbati III	Himachal Pradesh	520	1977	Nov-10	2305	4.43
Chamera III	Himachal Pradesh	231	1108	Aug-10	1406	6.08
URI II	Jammu & Kashmir	240	1124	Feb-11	1725	7.19
Subansiri Lower	Arunachal Pradesh	2000	7422	Dec-12	6285	3.14
Total		**4622**	**18389**		**23010**	

Source: Company's DRHP, ICRA estimates

Longer gestation period for these projects is expected to depress equity returns

While the above ongoing projects will result in significant increase in power sales volume, however since most of these projects are scheduled to become operational from 2010-11 onwards, the contribution of these projects towards earning growth in the near-term is expected to be minimal. NHPC will also continue to incur significant capital expenditure towards projects under construction stage as well as projects which are proposed to be taken up for execution. While this will provide future earnings growth, however a significant portion of NHPC's equity will continue to remain blocked on which it will not generate any return till the commissioning of project. Though this is true for any infrastructure assets, however significantly longer project execution period ranging from four to seven years depresses the equity returns substantially, which is also reflected in NHPC's RONW of 5% ~ 7% during past few years.

Any delays in these projects can possibly lead to cost overruns thereby adversely impacting tariff competitiveness

The cost of the projects undertaken by NHPC is approved by GoI, and is awarded by NHPC to various contractors on competitive bidding basis. These construction contracts include "price variation" as well as "force majeure" clauses and hence the project cost can escalate for the reasons which may be unforeseeable. Any escalations in the project cost is initially incurred by NHPC and has to be subsequently approved by GoI so as to consider these escalations as a part of revised project cost; this revised cost is later considered by CERC for determining tariff for the station. If these project costs are not approved by GoI, NHPC has to bear these cost escalations, while any upward revision in the project costs results in an increase in tariff for the power station.

[5] Design energy is the energy which a station can generate in a 90% dependable year.
[6] As approved by Cabinet committee on Economic Affairs (CCEA)

Financial position

Commissioning of new projects has resulted in significant growth in income and profits; however return on equity continues to remain low

During the last 5 years, NHPC commissioned six of its 13 operational projects, i.e. Chamera II, Dhuliganga I, Dulhasti, Indira Sagar, Teesta V and Omkareshwar, thereby resulting in significant growth in electricity sales volume, Operating Income (OI) and Profit after Taxes (PAT). As a result, the OI and PAT increased to Rs 34.94 billion and Rs 12.44 billion in 2008-09 respectively as against an OI of Rs 17.08 billion and PAT of Rs 6.58 billion in 2004-05.

However despite a significant growth in PAT, the growth in Earning per Share (EPS) remained comparatively lower, on account of increased equity base. Other return indicators like RoNW and Return on Capital Employed[7] (RoCE) also remained low at around 6.58% and 10.18% respectively during 2008-09. While a lower RoNW can be attributed to significant blockade of equity in Capital Work in Progress (CWIP), a decline in RoCE can be attributed to the fact that the projects which were recently commissioned were commissioned towards the end of the financial year, hence their contribution to the earnings was minimal.

Table 6: Profitability & Earnings

Rs in Billion	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Operating Income	34.94	29.31	22.69	20.54	17.08
OPBDIT	24.04	22.95	17.86	15.26	11.91
OPBDIT / OI (%)	69%	78%	79%	74%	70%
PAT	12.44	12.07	10.49	8.65	6.58
PAT / OI (%)	36%	41%	46%	42%	39%
ROCE (%)	10.18%	12.05%	12.84%	11.21%	18.81%
RONW (%)	6.58%	6.62%	6.29%	5.64%	4.66%
EPS (Rs)	1.08	1.04	0.97	0.85	0.70

OPBDIT: Operating Profit before Depreciation, Interest and Tax

Financial Leverage: Capital structure remains comfortable

The absolute debt levels of NHPC have increased significantly over past years on account of significant capital expenditure undertaken by the company towards the recently commissioned projects as well as the increase in project under execution. NHPC has been funding its projects in a debt: equity of 70:30, which is the favourable capital structure as per the CERC norms. Despite increased debt levels, the capital structure of NHPC has remained comfortable on account of significant accruals from operating projects as well as equity support from GoI till 2005-06. While NHPC is unlikely to receive similar equity contribution from GoI in future, however ICRA expects NHPC's accruals coupled with proceeds from the proposed IPO to suffice the equity contributions for the ongoing projects, thereby mitigating funding risks to a large extent.

Table 7: Capital Structure

Rs in Billion	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Total Debt	1.49	1.29	1.05	0.95	0.91
Net Worth	1.84	1.75	1.67	1.53	1.41
Total Debt / Net Worth (time)	0.81	0.73	0.63	0.62	0.65

Contingent Liabilities

The company has not provided for the following contingent liabilities as on March 2009

- Claims against the company not acknowledged as debt in respect of capital works : Rs 40.59 billion
- Claims against the company for land compensation cases : Rs 18.39 billion
- Claims against the company on account of disputed tax demands: Rs 20.62 billion
- Other claims against the company: Rs 4.11 billion

[7] RoCE is defined as, (Profit before Interest and Taxes)/(Total Debt + Net Worth – Capital Work in Progress)

Corporate Governance

The company has a board constituted in compliance with the Companies Act. In compliance with the listing requirements of Clause 49 of the Listing Agreement, the company has ten Board of Directors including six independent directors which are nominated by GoI through MoP. Since GoI will continue to remain the majority shareholder subsequent to the proposed equity issue, GoI will continue to have to power to elect and remove the company's directors. The company has also constituted Audit committee and Shareholders' Grievances Committee as per the mandatory requirements of Listing Agreement; however, since the remuneration of the Directors is fixed by GoI, the company has not constituted the Remuneration committee, which is recommendatory clause as per Listing Agreement.

Compliance and Litigation History

Accounting Quality

NHPC has restated its past accounts in its prospectus for the qualifications made by the auditors, which had financial impact over the profitability of the company.

Litigation History: Key litigations

While the company is involved in a large number of litigations, however, the amount involved for most of them is small in relation to the size and net worth of the company.

Key Litigations against NHPC and NHDC

- The company is involved in four criminal liabilities, with the financial implication of Rs 5.9 million
- There are various petition filed against the company in public interest, which are pending before Supreme Court and High Court of Madhya Pradesh, and the financial liability of which is not quantified
- There are nine environmental litigations against the company in relation to its completed and ongoing projects, the financial liability of which is not quantified
- There are 81 arbitration proceedings filed against NHPC and 8 arbitration proceedings filed against NHDC, largely filed by various construction companies. The aggregate value of claims filed by these companies is Rs 12.56 billion, USD[8] 0.6 million, Euro 2.3 million and CAD[9] 15 million plus interest
- There are 146 civil cases filed against NHPC and 9 civil cases filed against NHDC by various entities including construction contractors, and the aggregate value of the claims amounts to Rs 698 million, plus interest
- There are around 416 land-related litigations against NHPC and 10,939 land-related litigations against NHDC, the aggregate value of claims filed against both these companies is Rs 19.25 billion
- Apart from above, some labour-related legal proceedings and motor accident claims are also filed against the company.

[8] USD = United States Dollar
[9] CAD = Canadian Dollar

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