



Reliable Power. Enduring Growth

**31st ANNUAL
REPORT**
2006-2007



VISION

“A WORLD CLASS INTEGRATED POWER MAJOR,
POWERING INDIA’S GROWTH,
WITH INCREASING GLOBAL PRESENCE”

CORE VALUES

(B-COMIT)

BUSINESS ETHICS

CUSTOMER FOCUS

ORGANISATIONAL & PROFESSIONAL PRIDE

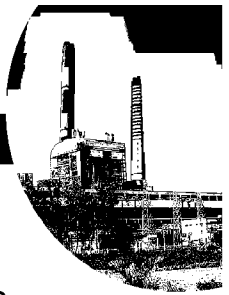
MUTUAL RESPECT & TRUST

INNOVATION & SPEED

TOTAL QUALITY FOR EXCELLENCE

CORPORATE MISSION

“ DEVELOP AND PROVIDE RELIABLE POWER, RELATED PRODUCTS
AND SERVICES AT COMPETITIVE PRICES, INTEGRATING MULTIPLE
ENERGY SOURCES WITH INNOVATIVE AND ECO-FRIENDLY
TECHNOLOGIES AND CONTRIBUTE TO SOCIETY ”



CORPORATE OBJECTIVES

To realise the vision and mission, eight key corporate objectives have been identified. These objectives would provide the link between the defined mission and the functional strategies:

■ Business portfolio growth

- To further consolidate NTPC's position as the leading thermal power generation company in India and establish a presence in hydro power segment.
- To broad base the generation mix by evaluating conventional and non-conventional sources of energy to ensure long run competitiveness and mitigate fuel risks.
- To diversify across the power value chain in India by considering backward and forward integration into areas such as power trading, transmission, distribution, coal mining, coal beneficiation, etc.
- To develop a portfolio of generation assets in international markets.
- To establish a strong services brand in the domestic and international markets.

■ Customer Focus

- To foster a collaborative style of working with customers, growing to be a preferred brand for supply of quality power.
- To expand the relationship with existing customers by offering a bouquet of services in addition to supply of power e.g. trading, energy consulting, distribution consulting, management practices.
- To expand the future customer portfolio through profitable diversification into downstream businesses, inter alia, retail distribution and direct supply.
- To ensure rapid commercial decision making, using customer specific information, with adequate concern for the interests of the customer.

■ Agile Corporation

- To ensure effectiveness in business decisions and responsiveness to changes in the business environment by:
 - Adopting a portfolio approach to new business development.
 - Continuous and co-ordinated assessment of the business environment to identify and respond to opportunities and threats.
- To develop a learning organisation having knowledge-based competitive edge in current and future businesses.
- To effectively leverage Information Technology to ensure speedy decision making across the organisation.

■ Performance Leadership

- To continuously improve on project execution time and cost in order to sustain long run competitiveness in generation.
- To operate & maintain NTPC stations at par with the best-run utilities in the world with respect to availability, reliability, efficiency, productivity and costs.
- To effectively leverage Information Technology to drive process efficiencies.

- To aim for performance excellence in the diversification businesses.
- To embed quality in all systems and processes.

■ Human Resource Development

- To enhance organisational performance by institutionalising an objective and open performance management system.
- To align individual and organisational needs and develop business leaders by implementing a career development system.
- To enhance commitment of employees by recognising and rewarding high performance.
- To build and sustain a learning organisation of competent world-class professionals.
- To institutionalise core values and create a culture of team-building, empowerment, equity, innovation and openness which would motivate employees and enable achievement of strategic objectives.

■ Financial Soundness

- To maintain and improve the financial soundness of NTPC by prudent management of the financial resources.
- To continuously strive to reduce the cost of capital through prudent management of deployed funds, leveraging opportunities in domestic and international financial markets.
- To develop appropriate commercial policies and processes which would ensure remunerative tariffs and minimise receivables.
- To continuously strive for reduction in cost of power generation by improving operating practices.

■ Sustainable Power Development

- To contribute to sustainable power development by discharging corporate social responsibilities.
- To lead the sector in the areas of resettlement and rehabilitation and environment protection including effective ash-utilisation, peripheral development and energy conservation practices.
- To lead developmental efforts in the Indian power sector through efforts at policy advocacy, assisting customers in reforms, disseminating best practices in the operations and management of power plants etc.

■ Research and Development

- To pioneer the adoption of reliable, efficient and cost-effective technologies by carrying out fundamental and applied research in alternate fuels and technologies.
- To carry out research and development of breakthrough techniques in power plant construction and operation that can lead to more efficient, reliable and environment friendly operation of power plants in the country.
- To disseminate the technologies to other players in the sector and in the long run generating revenue through proprietary technologies.



REFERENCE INFORMATION

Registered Office

NTPC Bhawan, SCOPE Complex ,
7, Institutional Area, Lodi Road,
New Delhi – 110 003
Phone No. : 011-2436 0100
Fax No. : 011-2436 1018
Web site : www.ntpc.co.in

Subsidiaries

NTPC Electric Supply Company Ltd.
NTPC Hydro Ltd.
NTPC Vidyut Vyapar Nigam Ltd.
Pipavav Power Development Company Ltd.
Vaishali Power Generating Company Ltd.

Registrar & Share Transfer Agent

Karvy Computershare Pvt. Ltd.
17-24, Vittal Rao Nagar
Madhapur
Hyderabad – 500 081
Phone No. : 040-2342 0815-28
Fax No. : 040-2342 0814
E- Mail – Id : mailmanager@karvy.com

Shares listed at

National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Depositories

National Securities Depository Limited
Central Depository Services (India) Limited

Company Secretary

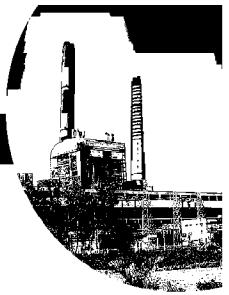
A.K. Rastogi

Bankers

Allahabad Bank
Andhra Bank
Bank of Baroda
Canara Bank
Central Bank of India
Dena Bank
Indian Bank
Indian Overseas Bank
ICICI Bank Ltd.
Jammu & Kashmir Bank Ltd.
Oriental Bank of Commerce
Punjab National Bank
Punjab & Sind Bank
State Bank of Bikaner & Jaipur
State Bank of Mysore
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
State Bank of Travancore
State Bank of Saurashtra
UCO Bank
Union Bank of India
United Bank of India
Vijaya Bank

Auditors

M/s Kalani & Co.
M/s Amit Ray & Co.
M/s Umamaheshwara Rao & Co.
M/s S.N. Nanda & Co.
M/s T. R. Chadha & Co.



CONTENTS

• Letter to Shareholders	5
• Notice of AGM	7
• Awards & Accolades.....	11
• Station-wise Generation	13
• Selected Financial Information.....	15
• Directors' Profile	16
• Senior Management Team.....	19
• Directors' Report.....	20
• Management Discussion and Analysis.....	30
• Report on Corporate Governance.....	49
• Accounting Policies.....	75
• Balance Sheet.....	78
• Profit & Loss Account.....	79
• Cash Flow Statement.....	110
• Auditors Report.....	111
• Employee Cost Summary.....	114
• Revenue Expenditure on Social Overheads.....	114
• Fund Flow Statement.....	115
• Subsidiary Companies.....	116
• Consolidated Financial Statements	146

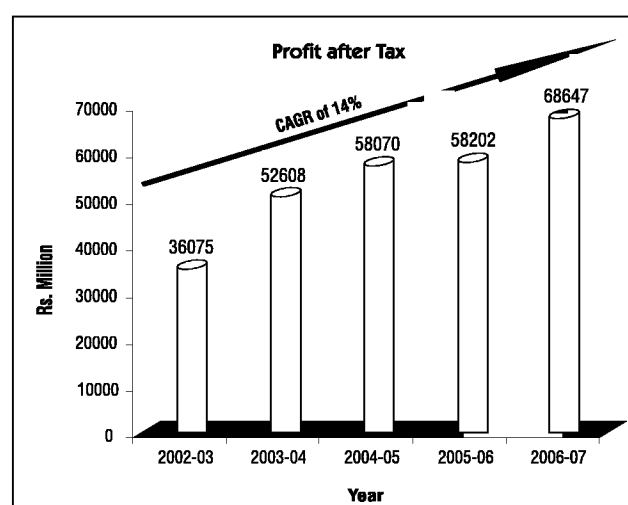
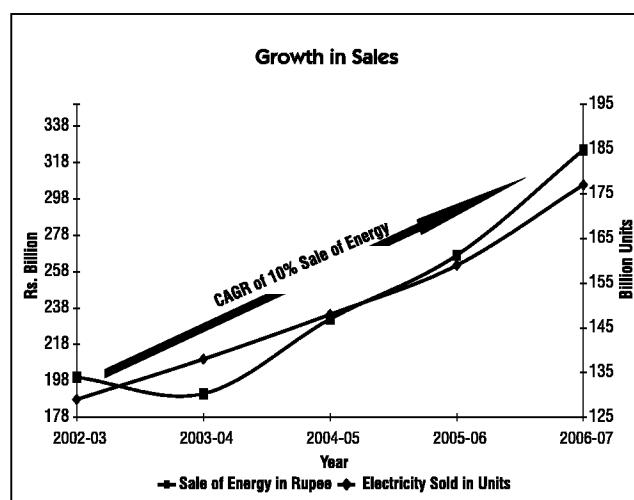


THE YEAR AT A GLANCE

		2007	2006
Gross Generation	Million Units	188674	170880
Commercial Generation	Million Units	188140	169789
Energy sent out	Million Units	176530	159019
Sale of Energy	Rs. Million	325344	266564
Profit before tax	"	89074	66087
Profit after tax	"	68647	58202
Dividend	"	26385	23087
Dividend tax	"	3896	3238
Retained Earnings	"	38366	31877
Net Fixed Assets	"	256481	230895
Net Worth	"	485968	449587
Loan Funds	"	244844	201973
Capital Employed	"	564331	523572
Net Cash From Operations	"	80653	59720
Value Added	"	111012	97206
No. of Employees #		23602	21870
Value added per employee	Rs Million	4.70	4.44
Debt to Equity	Ratio	0.50	0.45
Return on Capital Employed(%)	%	13.89	12.46
Face Value Per share	Rs.	10.00	10.00
Dividend Per Share	"	3.20*	2.80
Book Value Per Share	"	58.94	54.53
Earnings Per Share	"	8.33	7.06

excluding JVs, Subsidiaries

* including final dividend recommended by the Board





LETTER TO SHAREHOLDERS



Dear Shareholders,

Known for its strong fundamentals and consistent performance, your Company had another remarkable year in fiscal 2006-07. We posted robust financial results and achieved all time high physical performance levels. The top line of the Company (gross revenue) for the year increased by 20.59% to Rs. 353,766 million from Rs. 293,370 million. The bottom line (net profit after tax) registered a growth of nearly 18%, from Rs. 58,202 million to Rs. 68,647 million. Our cash flow continued to be strong with 100% realization of our billing for the fourth consecutive year. The Company enjoys high investor confidence.

The Company recorded its highest ever generation of 188,674 billion units, an increase of 10.41% over the previous year's generation of 170.880 billion units. With about 20% of the country's capacity, your Company generated 28.50% of the total power in India.

The coal stations of NTPC achieved highest ever capacity utilization (PLF) of 89.43% as compared to 87.54% during the previous year. Capacity utilization at the gas stations improved substantially from 65.81% in the previous year to 71.90%. Seven coal stations achieved more than 90% PLF and twelve stations achieved more than 85% PLF. Your Company's Unchahar Station won the Asian Plant of the Year Award, 2006 instituted by Asian Power Magazine, Hong Kong. Unit #3 (210 MW) of the Vindhyachal Super Thermal Power Station of your Company has set a new national record by logging 559 days of uninterrupted running. We are engaged in our efforts to continuously improve our efficiency in operations through technological upgradation, modernization, adoption of best practices and global benchmarking to remain sectoral leader.

The Company's total installed capacity is 27,904 MW (including 1,054 MW from JV route). During the Tenth Plan, the Company added 7,155 MW out of which 3,155 MW was added during 2006-07 (including 1,445 MW by way of acquisition and JV).

The economy of our country is on a roll with 8-10% GDP growth and will enable power sector to drive an unprecedented growth. NTPC will be adding nearly 22,000 MW against the country's Eleventh Plan capacity addition target of 78,000 MW. We are poised to play a key role in national power development and make a major contribution to the unprecedented growth of the power sector, and the economy in the coming years. At the end of Eleventh Plan, your Company is likely to have 25% of the total installed capacity in India. In a vibrant macro-economic scenario, the Company will be leveraging its strength to move into a higher trajectory of growth.

We have taken concrete steps towards achieving the Eleventh Plan capacity addition target. Main Plant orders have been placed and work has already commenced for 13,360 MW. For the remaining over 9,000 MW, main plant orders are going to be placed within the year which will enable us to achieve our growth targets in time.

The Company is aware of the challenges of sustaining growth, retaining cost and performance leadership in the context of emerging market competition, ensuring fuel supply, and other factors emanating out of the envisaged growth and related diversification. And the Company is ready with an array of well conceived strategies and measures to deal with the challenges and issues. We are re-engineering our business processes as part of our change management strategy, adopting global best practices in the process of revamping our working and implementing ERP as a tool for facilitating enterprise-wide change. We have initialed a model long term coal supply agreement for a period of twenty years with Coal India Limited to ensure adequacy, reliability, quality and appropriate pricing of coal supplies to our power stations.

While continuously setting new benchmarks in all aspects of power project development and power station operations, both on quantitative and qualitative parameters, the Company is ready with the strategies to remain the power supplier of choice. It is moving ahead to become an integrated power major, with presence across entire energy value-chain through backward and forward integration into areas such as coal mining in India and abroad, gas and oil exploration, LNG Value-Chain, power trading, distribution, etc. We are also taking steps to add to our portfolio 1,000 MW of capacity based on non-conventional energy sources by 2017 by way of promoting the cause of sustainable energy development



and also moving on the way to energy security. The Company has signed a Business Collaboration and Shareholders' Agreement with Transformers and Electricals Kerala Limited (TELK) for synergy in the field of manufacturing and repair of power transformers and has decided to acquire 44.6% of stake which would enable your Company to acquire management control of TELK.

Your Company has also begun to mark global footprints with an office in Dubai. We have signed an agreement with the Government of Sri Lanka and Ceylon Electricity Board under which we will set up a 500 MW coal based power station in Sri Lanka. We have signed an MoU with the Government of Nigeria, under which, Nigeria has agreed to supply at least 3 million tons of LNG per annum, on a long term basis for a period of 25 years, to be used by your Company in its power stations in India at reasonable prices and, in return, NTPC has agreed to set up a 700 MW gas based power station and a 500 MW coal fired power station in Nigeria. This would be a win-win arrangement with the Company augmenting gas supplies for its operations and Nigeria benefiting from the proven project implementation competence of NTPC. We seek to become globally comparable and visible in order to strengthen our business brand equity.

With firm conviction that a stronger sector means better business environment for the Company, we are contributing to the sectoral reform and development initiatives of the Government. Under the Accelerated Power Development and Reform Programme (APDRP) and the Rajiv Gandhi Grameen Vidyuteekaran Yojana, the Company is providing major support in achieving sectoral targets. Under the 'Partners in Excellence (PIE) Programme' launched by the Ministry of Power to improve the performance of underperforming power stations of State utilities through peer interaction, NTPC has brought about performance turnaround in 13 stations that were entrusted to it, having operating capacity of 5,050 MW. Additional generation of 2,833 million units in the NTPC assisted stations corresponds to equivalent capacity addition of 430 MW at 75% average PLF.

Our people, our 'Ām NTPC' is the key to our success. Competency and commitment are our key competitive advantages. Since the year 2003, the Company has been recognized among the best employers and work places due to the strong loyalty and pride demonstrated by our globally comparable team of power professionals. The HR philosophy and interventions align the values and skills of the employees to the organizational requirements. We are engaged in augmenting our human resource base, develop the reservoir of skills to support our new businesses and to deal with new challenges in our existing businesses.

We are in a good position to leverage our proven strengths and our capability to deliver. We are well prepared to deal with the demands of competition, growth, diversification and change. We will achieve our growth while ensuring highest priority to the corporate governance, environment and corporate social responsibility.

Corporate Social Responsibility is an article of faith for NTPC. This spirit of giving back to society has led NTPC to transform the socio-economic status of Project Affected Persons (PAPs) and undertake community development programmes in and around its projects. The NTPC Foundation for Corporate Social Responsibility not only addresses the niche domain of socio-economic reliance for physically challenged persons but also promotes Distributed Generation Schemes for overall societal benefit.

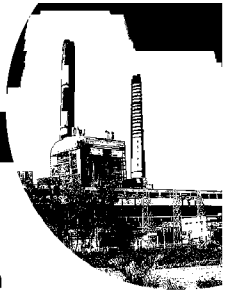
NTPC has been a catalyst of change in the power sector. We are catalysts of development. We will be catalysts of growth in the future.

We firmly believe that we will continue to maximize the returns of NTPC's key stakeholders – its shareholders, customers, associates and employees.

With best wishes,

Yours sincerely,

(T. Sankaralingam)
Chairman & Managing Director



NOTICE

Notice is hereby given that the Thirty First Annual General Meeting of the members of NTPC Limited will be held on Wednesday, September 12, 2007 at 11.30 a.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March, 31, 2007 and Profit & Loss Account for the financial year ended on that date together with Report of the Board of Directors and Auditors thereon.
2. To confirm payment of interim dividend and declare final dividend for the year 2006-07.
3. To appoint a Director in place of Shri Chandan Roy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri G.P. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M.I. Beg, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix the remuneration of the Auditors.

By order of the Board of Directors

Regd. Office:

NTPC Bhawan, 7, Institutional Area,
Lodi Road, New Delhi-110 003
Date: August 1, 2007

(A.K. Rastogi)

Company Secretary

NOTES:-

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. In order to be effective, the Proxy form duly completed should be deposited at the registered office of the company not less than forty-eight hours before the scheduled time to the Annual General Meeting. Blank proxy form is enclosed.**
2. As required by clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Shri Chandan Roy, Shri G.P. Gupta and Shri M.I. Beg, Directors retiring by rotation and seeking re-appointment under Item No. 3,4 and 5 aforesaid in accordance with applicable provisions of the Articles of Associations of the Company as well as those directors who have been appointed since the last Annual General Meeting are also annexed. The tenure of Shri Chandan Roy is upto December 31, 2008 and tenure of both Shri G.P. Gupta and Shri M.I. Beg is upto January 29, 2009 as per terms of their appointment by the Government of India.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 1, 2007 to September 12, 2007 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of section 206A of the Companies Act, 1956, if declared at the Annual General Meeting, will be paid on or after September 17, 2007 to the Members or their mandates whose names appear on the Company's Register of Members on September 12, 2007 in respect of physical shares. In respect of dematerialized shares, the dividend will be payable to the "beneficial owners" of the shares whose names appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on August 31, 2007.



4. Members are requested to:-
 - i) note that copies of Annual Report will not be distributed at the Annual General Meeting.
 - ii) bring their copies of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting.
 - iii) deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Hall will be strictly on the basis of the entry slip available at the counters at the venue to be exchanged with the attendance slip.
 - iv) quote their Folio/Client ID & DP ID Nos. in all correspondence.
 - v) **note that due to strict security reasons mobile phones, brief cases, eatables and other belongings are not allowed inside the Auditorium.**
 - vi) note that no gifts/coupons will be distributed at the Annual General Meeting.
5. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make remittance by means of ECS. Those holding shares in physical form may obtain and send the ECS mandate form to Karvy Computershare Private Limited, Registrar & Transfer Agent of the Company. Those holding shares in Electronic Form may obtain and send the ECS mandate form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company/Registrar & Transfer Agent/DP with complete details need not send it again.
 The shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, Registrar & Transfer Agent of the Company to enable them to print these details on the dividend warrants.
6. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its Registrar & Transfer Agent alongwith relevant Share Certificates.
7. The Board of Directors in its meeting held on January 31, 2007 had declared an interim dividend @ 24% on the paid-up equity share capital of the company which was paid on February 14, 2007. Members who have not received or not encashed their dividend warrants may approach Karvy Computershare Private Limited, Registrar & Transfer Agent of the Company, for revalidating the warrants or for obtaining duplicate warrants.
8. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the members whatsoever on the said amount. Therefore, Members are advised to encash their Dividend warrants immediately.
9. Members may avail of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the Form-2B as prescribed in the Companies (Central Government)'s General Rules and Forms, 1956, any person to whom their shares in the Company shall vest on occurrence of events stated in the Form. Form-2B is to be submitted in duplicate to Karvy Computershare Private Limited, Registrar & Transfer Agent of the Company. In case of shares held in dematerialized form, the nomination has to be lodged with the respective Depository Participant.
10. Annual listing fee for the year 2007-08 has been paid to all Stock Exchanges wherein shares of the Company are listed.
11. Pursuant to Section 619(2) of the Companies Act, 1956, the Auditors of a Government Company are to be appointed or re-appointed by the Comptroller and Auditor General of India (C & AG) and in terms of Clause (aa) of sub-section (8) of Section 224 of the Companies Act, 1956 their remuneration has to be fixed by the Company in the Annual General Meeting. The Members of the Company in the 30th Annual General Meeting held on September 19, 2006 authorised the Board of Directors to fix the remuneration of Statutory Auditors for the year 2006-07. Accordingly, the Board of Directors fixed audit fee of Rs. 47,50,000/- for the Statutory Auditors for the financial year 2006-07 in addition to applicable service tax and reimbursement of actual travelling and out-of-pocket expenses for visits to accounting units. Further, Statutory Auditors of the Company for the year 2007-08 has been appointed by C&AG of India, the Members may authorise the Board to fix an appropriate remuneration of Auditors as may be deemed fit by the Board.
12. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a