

Annual Report
2006-07

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Profile

Reliance Energy Limited, incorporated in 1929, is a fully integrated utility engaged in the generation, transmission and distribution of electricity. It ranks among India's top listed private companies on all major financial parameters, including assets, sales, profits and market capitalization.

A key constituent of the Reliance – Anil Dhirubhai Ambani Group, India's third largest business house, Reliance Energy is India's foremost private sector utility with aggregate group revenues of Rs. 13,017 crore (US\$ 3 billion) and total assets of Rs. 12,166 crore (US\$ 2.80 billion).

Reliance Energy companies distribute more than 28 billion units of electricity to cover 25 million consumers across different parts of the country including Mumbai and Delhi in an area that spans over 1,24,300 sq. kms. It generates 941 MW of electricity, through its power stations located in Maharashtra, Andhra Pradesh, Kerala, Karnataka and Goa.

Reliance Energy has emerged as one of the leading players in India in the Engineering, Procurement and Construction (EPC) segment of the power sector.

Reliance Energy companies currently pursue several gas, coal, wind and hydro-based power generation projects in Maharashtra, Uttar Pradesh, Arunachal Pradesh and Uttarakhand with aggregate capacity of over 13,510 MW. These projects are at various stages of development.

Reliance Energy is also active in the trading and transmission of power, making it a fully integrated player in the power sector.

Reliance Energy has also forayed as an equity investor in to the infrastructure business, including in the prestigious Mumbai metro rail project and various road projects of the National Highways Authority of India.

Vision Statement

To be amongst the most admired and most trusted integrated utility companies in the world, delivering reliable and quality products and services to all customers at competitive costs, with international standards of customer care—thereby creating superior value for all stakeholders.

To set new benchmarks in standards of corporate performance and governance through the pursuit of operational and financial excellence, responsible citizenship and profitable growth.

Reliance Energy Mission : Excellence in Energy

- To attain global best practices and become a world-class utility.
- To provide uninterrupted, affordable, quality, reliable and clean power to millions of customers.
- To achieve excellence in service, quality, reliability, safety and customer care.
- To earn the trust and confidence of all customers and stakeholders, exceeding their expectations and make the Company a respected household name.
- To work with vigour, dedication and innovation with total customer satisfaction as the ultimate goal.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organisation.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and above all people.
- To contribute towards community development and nation building.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

This report is printed on paper manufactured with more than 75 per cent recycled fibre.

Letter to Shareowners



**"Think big, think fast, think ahead.
Ideas are no one's monopoly."**

- Dhirubhai H. Ambani

My dear fellow shareowners,

It gives me great pleasure to share with you the highlights of our company's performance during the year 2006-07.

Reliance Energy is India's leading private sector utility, with aggregate group revenues of Rs 13,017 crore (US\$ 3 billion) and gross fixed assets of Rs 12,166 crore (US\$ 2.80 billion).

Our company is an integral part of the Reliance ADA Group, which ranks among India's top three business houses.

This proud association shapes our vision and values. It defines who we are, what we stand for and what we aspire to achieve – as a business and as a public utility.

Reliance Energy, like the Reliance ADA Group, embodies the essential ethos of our young nation – the new resurgent India of the 21st century. Our goal, as that of our parent, is not just to build a great enterprise for our stakeholders but a great future for our country – to give millions of young Indians the means to fulfill their dreams, the power to shape their own destiny and to realize their true and diverse potential.

We are not just about scale and size: we are about the pursuit of excellence, the integrity of our values and the quality of our services.

Performance review

You will be happy to learn that during the year, our company made a significant improvement in its financial and operational performance.

The salient points are:

- Total income of Rs 6,575 crore (US\$ 1,513 million), against Rs 4,608 crore in the previous financial year, an increase of 43 per cent.
- Cash profit of Rs 1,041 crore (US\$ 239 million), against Rs 999 crore in the corresponding period last year.
- Net profit of Rs 801 crore (US\$ 184 million), against Rs 650 crore in the previous financial year, an increase of 23 per cent.
- Cash earnings per share of Rs 46 (US\$ 1.1) and Earnings per share (EPS) of Rs 37 (US\$ 0.9) for the year.

With a net worth of about Rs 9,340 crore (US\$ 2.15 billion) as on March 31, 2007, Reliance Energy counts among the top Indian private sector companies.

Our company remains debt free at the net level, and enjoys the top-end ratings of 'AAA' and 'Ind AAA' assigned by CRISIL and FITCH respectively – a resounding re-affirmation of our unwavering and long-standing commitment to financial prudence and conservatism.

Power Generation

Our company's power generation stations continue to demonstrate significant improvement across all important performance parameters. During the past year, the Dahanu power station achieved a record Plant Load Factor (PLF) of 101.79 per cent. This is the highest ever PLF achieved by any power station in India. Similarly, the power stations at Samalkot and Goa also registered higher levels of PLF during the year. We also received a number of awards during the year for our excellence in plant operation, environment management, safety performance and energy conservation.

Power distribution & customer service

Our company's distribution network in Mumbai continues to operate with 99.9 per cent online reliability.

To further improve system reliability, the company is strengthening the Distribution Management System and installing Fault Passage Indicators in the high tension network. These pioneering automation measures will lead to significant overall improvement in the network management system and faster isolation of faulty cables.

We have carried out several changes in our interphase processes for both e-enabled customers and others. Our e-enabled customers can now access online their bills and other account details, make payments and communicate with the company on all major issues. For the benefit of our remaining consumers, the company has upgraded the existing customer care centres as single points of contact for all information and service-related issues.

The company has also undertaken a series of steps aimed at better demand side management by encouraging customers to adopt various energy conservation measures, thereby bridging the gap between demand and supply and ensuring greater reliability in the power situation.

Our two Delhi distribution companies viz. BSES Rajdhani Power Limited and BSES Yamuna Power Limited continue to vigorously pursue various time-bound programmes for improving the overall quality of customer service. Both discoms have comfortably exceeded the committed annual targets for the reduction of aggregate technical and commercial losses during the year – from 35.53 per cent to 29.93 per cent against the target level of 31.30 per cent in BRPL, and from 43.88 per cent to 39.12 per cent against the target of 39.95 per cent in BYPL.

Engineering, Procurement & Construction (EPC)

Our company continues to focus on in-house opportunities as well as large outside projects for its EPC division, which has an

Reliance Energy Limited

order book of about Rs 5,500 crore (US\$ 1.27 billion) as of March 31, 2007. The annual turnover of the EPC division in 2006-07 shot up to Rs 2,055 crore from Rs 865 crore the previous year, a rise of nearly 138 per cent. The division has rapidly emerged as the leading player in its segment in the country.

Power trading

Our group company, Reliance Energy Trading Limited (RETL), is one of the top electricity traders in the country and operates in all five transmission regions, namely, North, South, East, West and North East. RETL is regarded as a pioneer in the trading of surplus power from captive power plants. It traded over one billion units in the year 2006-07.

Growth potential

A conservative capital structure – reflected in our company's zero net debt position as of March 31, 2007 – coupled with strong cash reserves provides us with a robust platform for future growth. Reliance Energy continues to focus intensively on its core strategy of achieving a high level of integration in the energy sector.

Power generation projects

Our group company, Rosa Power Supply Company Limited, is currently implementing a 600 MW coal-based power project at Shahjahanpur district in Uttar Pradesh. The company has tied up the financing for this, the first phase of the project, and has commenced the construction work in right earnest. In the second phase, the plant capacity will be raised to 1,200 MW.

Another group company, Maharashtra Energy Generation Limited will implement the upcoming power project at Shahapur in Maharashtra for which a memorandum of understanding has been signed with the state government. The project is in an advanced stage of development.

Meanwhile, the 7,480 MW gas-based project at Dhirubhai Ambani Energy City, Dadri, in Uttar Pradesh has obtained all the major statutory clearances from the central and state governments.

We are also developing a 300 MW coal-based power plant at Butibori, Nagpur, which was won in a competitive bidding process run by the Maharashtra Industrial Development Corporation.

We have also been participating in the bid process for various ultra mega power projects.

Our company has taken several initiatives in renewable power generation. We are in the process of setting up 150 MW of wind turbines in Maharashtra to generate clean power. On the hydro front, the company is developing the 280 MW Urthing hydro power project in Uttarakhand and 700 MW Tato II and 1000 MW Siyom hydro power projects in Arunachal Pradesh. Upon completion of these projects, we will emerge as one of the largest hydro power generators in the country.

Transmission

Reliance Energy continues to explore all emerging opportunities in the transmission sector. The company has been selected as a joint venture partner with Power Grid Corporation of India Limited (PGCIL) for setting up the transmission network for Parbati and

Koldam hydro electric projects in Himachal Pradesh. We have also emerged as the lowest bidder for the construction, financing, operation and maintenance of transmission lines, running to 1,515 kms, for two separate projects floated by PGCIL.

Exploration & Production

Our company has made a successful entry into the exploration and production (E&P) business. It has bagged, as a consortium partner of Reliance Natural Resources Limited, four coal bed methane (CBM) blocks, making it the second largest player in the country in terms of CBM acreage. The company has also been awarded the Mizoram block for exploration and production of petroleum and natural gas.

Infrastructure business

Our company has been awarded as a consortium partner the project to develop and operate the Versova-Andheri-Ghatkopar rail-based mass rapid transit system in Mumbai at a project outlay of Rs 2,356 crore. This is the first such project being developed by a private sector company under the public private partnership framework in the country. During the year, our company also bagged three road projects from the National Highways Authority of India in the state of Tamil Nadu, with an aggregate length of 304 kms and an estimated cost of Rs 3,158 crore. With this, we have become the leading developer of national highways in the country on a build, own, operate and transfer basis.

Nuclear power

The recent Indo-US agreement on civil nuclear cooperation in the power sector augurs well for India's long-term energy security and is expected to pave the way for the participation of the private sector in this area of critical national concern.

Corporate governance

We have, in recent years, taken a series of initiatives, going beyond regulatory requirements, to ensure excellence in governance and to promote the interests of all our stakeholders.

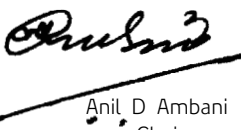
Our commitment

Our association with the Reliance ADA Group gives us a privileged access to the Group's formidable expertise in project management and financial engineering. We would always leverage this unique advantage in setting up world class projects. Our focus in these areas will continue to power Reliance Energy to new heights of growth and excellence.

Our founder, the legendary Dhirubhai H Ambani, gave us a simple mantra: to aspire to the highest global standards of quality and efficiency, operational performance, and customer care. We remain committed to upholding that vision.

Dhirubhai exhorted us to think big.

We will think bigger. Indeed, not only bigger but better, creating ever greater value for all our stakeholders.


Anil D Ambani
Chairman

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Audit Committee		
Shri V R Galkar (Chairman)		
Gen V P Malik		
Shri S L Rao		
Dr Leena Srivastava		
Nomination/Remuneration Committee		
Gen V P Malik (Chairman)		
Shri S L Rao		
Dr Leena Srivastava		
Environment Health & Safety Committee		
Dr. Leena Srivastava (Chairperson)		
Shri S L Rao		
Gen V P Malik		
Shri S C Gupta		
Shareholders/Investors' Grievances Committee		
Shri V R Galkar (Chairman)		
Dr Leena Srivastava		
Shri S C Gupta		
Auditors		
Chaturvedi & Shah		
Price Waterhouse		
Bankers		
ABM AMRO Bank N.V.	Standard Chartered Bank	
Canara Bank	State Bank of India	
HDFC Bank Limited	UCO Bank	
HSBC Limited	Union Bank of India	
ICICI Bank Limited		
Seventy Eighth Annual General Meeting		
Tuesday, July 10, 2007 at 11.00 a.m. at Birla Matushri Sabhagar, 19 Sir Vithaldas Thackersey Marg, Mumbai 400 020		
	Registered Office	
	Reliance Energy Centre, Santa Cruz (E) Mumbai 400 055 Telephone: (022) 3009 9999 Facsimile : (022) 3009 9763 Email: helpdesk@rel.co.in Website: www.rel.co.in	
	Registrar & Transfer Agent	
	Karvy Computershare Private Limited Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad 500 081 Telephone: (040) 2342 0815 to 25 Facsimile : (040) 2342 0814 Email: rel@karvy.com Website: www.karvy.com	
	Mumbai offices	
	7 Andheri Industrial Estate Off Veera Desai Road 843/311 Andheri (W) Mumbai 400 053 Tel: (022) 2673 0799/0843 Facsimile: (022) 2673 0152	16/22 Bake House Ground Floor Near MSC Bank Behind Rhythm House Fort, Mumbai 400 023 Tel: (022) 6638 2666/1746 Facsimile: (022) 6633 1135

This Annual Report can be accessed at www.rel.co.in

Reliance Energy Limited

Performance Highlights

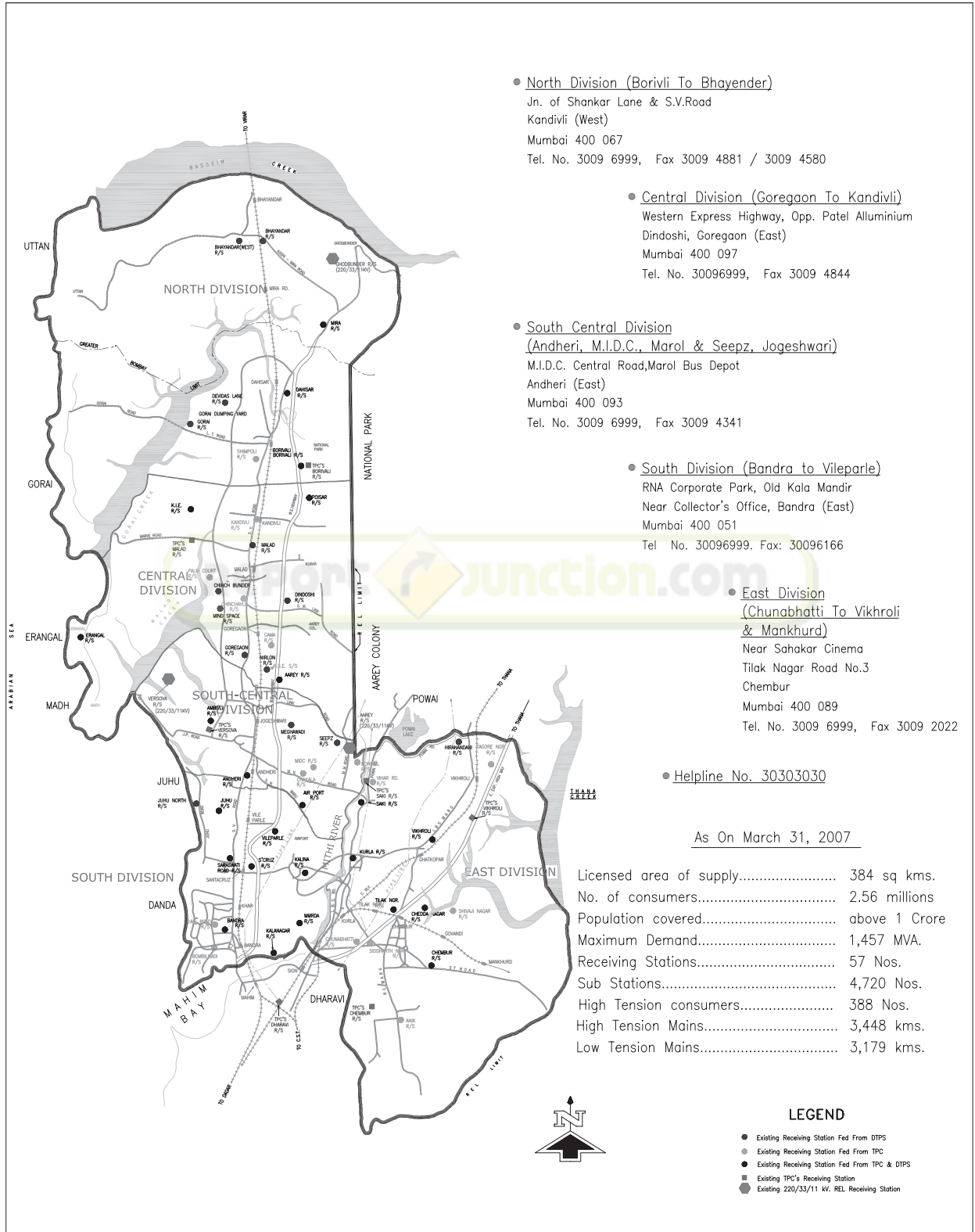
Year Ended 31 st March		2007	2006	2005	2004	2003	1990	1980	1970	1960	1950	1940	1930
Units Sold - (Million Units)		8743	8064	7969	7691	5880	2899	1316	540	121	25	5	1.4
Maximum Demand MVA		1457	1331	1320	1274	1226	546	258	111	29	NA	NA	NA
High Tension Mains KMs		3448	3114	3012	2915	2829	1437	1000	700	326	NA	NA	NA
Low Tension Mains KMs		3179	3116	3039	3002	2965	1671	1143	841	418	NA	NA	NA
No. of Substations		4207	4002	3848	3735	3653	2257	1446	718	226	NA	NA	NA
No. of Consumers (in '000)													
Licensed Area - 384 sq.km		2506	2496	2381	2329	2223	1210	598	260	80	18	12	1.7
No. of Shareholders		1576758	108782	99243	96485	121913	7397	NA	NA	NA	NA	NA	NA
Financial Data (Rs.in crore. 1 crore = 10 million)	US\$ in million 1 US \$ = Rs. 43.47 on 31-3-07												
Assets :	US\$ in million												
Fixed Assets (Net)	714.06	3104	2874	2912	3093	1813	147	43	13.74	3.18	0.78	0.28	0.16
Investments	577.87	2512	1193	696	2875	1030	8	3	0.48	0.09	-	-	-
Current Assets (Net)	2262.94	9837	8301	6753	1428	545	28	7	2.07	0.15	0.2	0.01	-
Total Assets	3554.87	15453	12368	10361	7396	3388	183	53	16.29	3.42	0.98	0.29	0.16
Sources of Finance :													
Share Capital	52.45	228	212	186	175	138	13	5	3.59	1.75	0.83	0.24	0.16
Equity Warrants	0.00		88	568	-	-	-	-	-	-	-	-	-
Reserves & Surplus	2095.93	9111	7573	5586	4936	2426	88	24	5.02	0.88	0.15	0.05	-
Borrowings	1347.60	5858	4267	3739	2030	632	27	9	5.23	0.49	-	-	-
Deposits from Consumers	5.75	25	24	22	18	14	55	15	2.45	0.3	-	-	-
Deferred Tax Liabilities	53.14	231	204	260	237	178	-	-	-	-	-	-	-
Total Finance Raised	3554.87	15453	12368	10361	7396	3388	183	53	16.29	3.42	0.98	0.29	0.16
Gross Revenue	1512.54	6575	4608	4593	3583	2777	390	66	7	1	0.31	0.08	0.01
Profit Before Tax	200.60	872	781	570	417	153	12	7	1	0.29	0.08	0.02	-
Profit After Tax	184.27	801	650	520	367	297	12	4	1	0.22	0.08	0.02	-
Dividends	27.84	121	106	87	70	61	2	1	0.31	0.14	0.04	0.02	0.01
Dividend Tax	4.83	21	15	12	9	8	-	-	-	-	-	-	-
Retained Earnings (including statutory reserves)	160.80	699	529	421	295	54	10	3	1	0.17	0.07	0.02	-
Equity Share Capital	52.45	228	212	186	175	138	12	4	3	2	1	0.24	0.16
Rate of Dividend on Equity Shares	53%	53%	50%	47%	45%	44%	18%	16%	11%	8%	7%	7%	5%
Earnings Per Share (Rs.)@	US\$0.85	37	33	28	26	22*	10	72	30	13	10	8	2

* Prior to one time
adjustments of Rs. 135 Crore.

@ Based on face value of Rs.10 per share

@ Based on face value of
Rs.100 per share

Distribution Network in Mumbai



Reliance Energy Limited

Notice

Notice is hereby given that the seventy-eighth Annual General Meeting (AGM) of the members of Reliance Energy Limited will be held on Tuesday, July 10, 2007 at 11.00 a.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020 to transact the following business:

Ordinary business

1. To consider and adopt the audited profit and loss account for the year ended March 31, 2007, the balance sheet as at that date and the reports of the board of directors and auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a director in place of Shri Satish Seth who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Shri V R Galkar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT M/s Price Waterhouse, Chartered Accountants and M/s. Chaturvedi & Shah, Chartered Accountants, be and are hereby appointed as joint auditors of the company, to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the company, on such remuneration as may be fixed by the board of directors."

Special Business

6. Revision in remuneration of Shri S C Gupta, Director (Operations)

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT in partial modification of resolution no. 6 passed by the members at the annual general meeting held on June 7, 2006, approving the variation in the terms of remuneration of Shri S C Gupta as Director (Operations) and in accordance with the provisions of sections 198, 269, 309, 310 and schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the company hereby approves the variation in the terms of remuneration of Shri S C Gupta as Director (Operations) for the remaining period of his tenure of office, effective April 1, 2007 as set out in the supplemental agreement to be entered into with Shri Gupta.

RESOLVED FURTHER THAT all other terms and conditions of appointment of Shri S C Gupta as approved earlier by the members, shall remain unchanged."

7. Revision in remuneration of Shri J P Chalasani, Director (Business Development)

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT in partial modification of resolution no.7 passed by the members at the annual general meeting held on June 7, 2006, approving the variation in the terms of remuneration of Shri J P Chalasani as Director (Business Development) and in accordance with the provisions of sections 198, 269, 309, 310 and schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the company hereby approves the variation in the terms of remuneration of Shri J P Chalasani as Director (Business Development) for the remaining period of his tenure of office, effective April 1, 2007 as set out in the supplemental agreement to be entered into with Shri Chalasani.

RESOLVED FURTHER THAT all other terms and conditions of appointment of Shri J P Chalasani as approved earlier by the members, shall remain unchanged."

8. Appointment of Shri Lalit Jalan as Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri Lalit Jalan, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and article 106 of articles of association of the company be and is hereby appointed as Director of the Company subject to retirement by rotation".

9. Appointment of Shri Lalit Jalan as Whole-time Director

To consider, and if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309 read with schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Shri Lalit Jalan as whole-time director of the company, for a period of five years, with effect from April 25, 2007, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the company and Shri Lalit Jalan, a draft whereof is placed before this meeting, which agreement is hereby specifically

sanctioned with liberty to the board of directors (hereinafter referred to as "the board" which term shall be deemed to include any committee of the board constituted to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the central government in that behalf from time to time, or any amendments thereto as may be agreed to between the board and Shri

Lalit Jalan.

RESOLVED FURTHER THAT the board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Ramesh Shenoy
Company Secretary

Registered Office:

Reliance Energy Centre
Santa Cruz (E)
Mumbai 400 055
April 25, 2007

Notes:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing a proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. The relevant explanatory statement pursuant to section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the AGM is annexed hereto.
3. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the AGM.
4. Members/proxies should fill in the attendance slip for attending the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in electronic form are requested to write their client Id and DP Id numbers and those who hold shares in physical form are requested to write their folio numbers in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the registered office of the company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the AGM.
8. The company has notified closure of the Register of Members and the Share Transfer Books from Saturday, the June 30, 2007 to Tuesday, the July 10, 2007 (both days inclusive), for determining the names of members eligible for dividend, if approved, on equity shares for the year ended March 31, 2007.
9. The dividend on equity shares, if declared, at the AGM will be paid on or after the AGM on July 10, 2007.
10. Members may please note that the dividend warrants shall be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an

initial period of 3 months only. Thereafter, the dividend warrant on revalidation is payable only at limited centres/branches. Members are, therefore, advised to encash dividend warrants within the initial validity period.

11. Non-resident Indian members are requested to inform Karvy Computershare Private Limited immediately on :
 - a. the change in the residential status on return to India for permanent settlement.
 - b. the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
12. a. Appointment of the director : Shri Lalit Jalan is proposed to be appointed as whole-time director at the ensuing annual general meeting.
- b. Re-appointment of directors: At the ensuing annual general meeting, Shri Satish Seth and Shri. V R Galkar retire by rotation, and being eligible, offer themselves for re-appointment.

The details pertaining to these directors required to be provided pursuant to clause 49 of the listing agreement are furnished in the statement on corporate governance published elsewhere in this report.

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

Item nos. 6 & 7

At the annual general meeting of the company held on June 7, 2006, the members had approved the revision in the remunerations of Shri S C Gupta, Director (Operations) and Shri J P Chalasani, Director (Business Development) as specified in the explanatory statement annexed to the notice of the said meeting. Considering the all-round improvement in the operational and financial performance of the company and to align the managerial remunerations to the levels prevailing in the corporate sector, the board of directors ('board') deemed it necessary to revise the remunerations payable to Shri S C Gupta and Shri J P Chalasani.

The board has therefore, as per the recommendations of nomination / remuneration committee of the directors, revised remunerations of Shri S C Gupta to Rs. 90 lakh from Rs. 60 lakh per annum and Shri J P Chalasani to Rs. 90 lakh from Rs. 50 lakh per annum and an amount not exceeding Rs. 30 lakh

per annum to each of them as performance linked remuneration for the remaining period of their respective tenure of office, effective April 1, 2007, subject to approval by the members.

All other terms and conditions of the appointment of Shri S C Gupta and Shri J P Chalasani, as approved earlier by the members shall remain unchanged.

Your directors, therefore, recommend the resolution for your approval.

Copies of the draft supplemental agreements to be entered into with Shri S C Gupta and Shri J P Chalasani and the earlier resolutions relating to their appointments and remuneration are open for inspection of the members at the registered office of the company between 11.00 a.m. and 1.00 p.m. on any working day excluding Saturdays up to the date of ensuing AGM on July 10, 2007.

This Explanatory Statement together with the accompanying Notice are to be treated as the relevant abstracts of the respective draft supplemental agreements between the company and Shri S C Gupta and Shri J P Chalasani under section 302 of the Companies Act, 1956.

Shri S C Gupta and Shri J P Chalasani are interested in the resolution pertaining to the revision in the terms of their remunerations as aforesaid. None of the other directors is concerned or interested in the resolution.

Item no. 8

Shri Lalit Jalan, whose appointment as director is proposed at the meeting, did his BTech from the Indian Institute of Technology, Kanpur, MBA in Finance from the prestigious Wharton School, University of Pennsylvania and MS in computer science from the Moore School, University of Pennsylvania. He is the chairman of BSES Rajdhani Power Limited and BSES Yamuna Power Limited, which distribute electricity to the major parts of Delhi. Shri Lalit Jalan is proposed to be appointed as a non-independent director on the board of the company.

Notice under section 257 of the Companies Act, 1956, proposing the appointment of Shri Lalit Jalan as a director has been duly received by the company along with a deposit of Rs. 500 in cash.

The details pertaining to Shri Lalit Jalan required to be provided pursuant to clause 49 of the listing agreement are furnished in the statement on corporate governance published elsewhere in this report.

Your directors recommend the resolution for your approval.

Except Shri Lalit Jalan, none of the other directors is concerned or interested in the resolution.

Item no. 9

Your directors at their meeting held on April 25, 2007 have, subject to the shareholders' approval and provisions of the articles of association of the company, appointed Shri Lalit Jalan as whole-time director for a period of five years with effect from April 25, 2007 on the remuneration recommended by the nomination/remuneration committee of the board.

The remuneration payable to and the terms of appointment of Shri Lalit Jalan during the tenure of his appointment for a period of five years will comprise salary, allowances and

perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to Rs. 90 lakh per annum and performance linked remuneration not exceeding Rs. 30 lakh per annum.

The perquisites and allowances payable to Shri Lalit Jalan, subject to aforesaid limits, will include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilization of gas, electricity, water, furnishing and repairs, medical reimbursement, leave travel concession for self and his dependant family member(s), club fees (not including admission fee), medical insurance, the company's contribution to provident fund, superannuation or annuity fund, gratuity and such other perquisites and / or allowances, within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income-tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). In addition, he shall be entitled to encashment of leave at the end of the tenure as per the rules of the company.

The terms and conditions set out for appointment and payment of remuneration herein and / or in the agreement may be altered and varied from time to time by the board as it may, at its discretion, deem fit within the overall ceiling fixed herein.

The board or any committee thereof is entitled to revise the salary, allowances and perquisites payable to the whole-time director of the company at any time, such that the overall remuneration payable shall not exceed the aggregate amount of Rs. 1.20 crore as specified above.

The aforesaid agreement may be terminated by either party (company or the whole-time director) by giving three months' prior notice of termination in writing to the other party.

The draft agreement to be entered into between the company and Shri Lalit Jalan is available for inspection at the registered office of the company on any working day between 11.00 a.m. and 1.00 p.m. excluding Saturdays up to the date of ensuing AGM.

Your directors recommend the resolution for your approval.

The above may also be treated as an abstract of the terms of the contract/agreement between the company and Shri Lalit Jalan pursuant to section 302 of the Companies Act, 1956.

Shri Lalit Jalan is interested in the resolution which pertains to his appointment and / or remuneration payable to him. Save and except the above, no other director of the company is, in any way, concerned or interested, in this resolution.

By Order of the Board
Ramesh Shenoy
Company Secretary

Registered Office:
Reliance Energy Centre
Santa Cruz (E)
Mumbai 400 055
April 25, 2007