

RELIANCE Power
Anil Dhirubhai Ambani Group

Annual Report
2007-08
(Abridged)



Profile

Reliance Power Limited (RPower) is part of the Reliance Anil Dhirubhai Ambani Group, India's second largest business house.

RPower is engaged in the development, construction and operation of power generation projects with a combined planned installed capacity of over 28,200 MW, the largest portfolio of private power generation assets under development.

The Company has the unique distinction of securing two out of the three Ultra Mega Power Projects (UMPPs) awarded by the Government of India on the basis of tariff based competitive bidding at Sasan in Madhya Pradesh and Krishnapatnam in Andhra Pradesh.

Our projects are diverse in geographic location, fuel source and off-take.

RPower strongly believes in Clean Green Power and our projects will be using technologies with minimum environment impact.

Mission : Excellence in Power Generation

- To attain global best practices and become a leading power generating company
- To achieve excellence in project execution, quality, reliability, safety and operational efficiency
- To relentlessly pursue new opportunities, capitalizing on synergies in the power generation sector
- To consistently enhance our competitiveness and deliver profitable growth
- To practice highest standards of corporate governance and be a financially sound company
- To be a responsible corporate citizen nurturing human values and concern for society
- To improve the lives of local community in all our projects
- To be a partner in nation building and contribute towards India's economic growth
- To promote a work culture that fosters learning, individual growth, team spirit and creativity to overcome challenges and attain goals
- To encourage ideas, talent and value systems and become the employer of choice
- To earn the trust and confidence of all stakeholders, exceeding their expectations
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings

Letter to Shareowners



**"Growth has no limit. I keep revising my vision.
Only when you dream it, you can do it."**

- Dhirubhai H. Ambani

My dear fellow shareowners,

It gives me immense pleasure to welcome you all, the world's largest shareholder family. It is a family that comprises over 4 million retail and nearly 500 overseas and domestic institutional investors.

I wish to thank you, the investor fraternity, for your overwhelming support to the initial public offering (IPO) of the company. This support, unprecedented in the history of corporate India, reflects the trust and confidence that millions of investors have reposed in the performance and execution capabilities of the Reliance Anil Dhirubhai Ambani Group.

I assure you that we would do our utmost to live up to expectations, deliver quality in all our operations and strive to increase shareholder wealth.

Reliance Power has a net worth of nearly Rs. 14,000 crore (over US\$ 3.5 billion) – among the top 5 private sector companies in India on this parameter.

Power Sector

As the Indian economy enters a new and higher growth phase, ensuring adequate power at a competitive price has emerged as one of the key challenges. Despite the renewed recent focus on raising the generation capacity, the gap between supply and demand has continued to widen.

The seriousness of the situation is further evident in the fact that per capita consumption of energy in India remains extremely low in comparison to most other parts of the world. According to the World Energy Outlook, 2006, over 400 million people in India do not have access to electricity.

While we must aim at adding new capacity, there is also a pressing need to strengthen transmission, and substantially reform the distribution networks. Other issues that require urgent attention include continued techno-commercial losses, waste and inefficient usage, deficient rural electrification and imbalanced tariff structures.

The Government of India has identified power as a key infrastructural bottleneck in the way of sustained industrial growth. It has embarked on an ambitious mission – "Power for All by 2012" – backed by extensive reforms to make the power sector more attractive to private sector investment.

In line with the targets set by the government, a comprehensive, integrated development strategy for the power sector has been prepared, keeping in mind the following objectives :

- Generate adequate power to sustain long-term GDP growth rate of 8 per cent
- Improve significantly the quality and reliability of power
- Ensure availability of power at competitive rates and
- Safeguard commercial viability of power industry to make it attractive for private sector participation

The outlook for the sector appears promising as many of the policy initiatives have started to show results.

The prevailing and expected demand and supply imbalance in India presents significant opportunities in the power sector. To capitalize on this, the Company is currently engaged in developing 13 medium and large-sized power projects with a combined planned installed capacity of over 28,200 MW, one of the largest portfolios of power generation assets under development in India.

Encompassing diversity in geographical location, fuel type, fuel source and off-take, each project is planned to be strategically located near a source of fuel supply, or load center. These projects include two ultra mega power projects, to be executed at Sasan in Madhya Pradesh and Krishnapatnam in Andhra Pradesh respectively, each with a capacity of about 4,000 MW. We are confident that the successful implementation of these projects would dramatically change India's power landscape and generate huge interest among both domestic and international investors.

We believe that we are well positioned to tap the huge growth opportunities in the power sector and become one of the leading IPPs in India because we have:

- One of the largest portfolios of Power Generation Projects under development in India.
- A diversified and strategically located portfolio of power projects.
- Reliance Anil Dhirubhai Ambani group's leadership position among private power players in India

Availability of adequate fuel at affordable prices is a key prerequisite for sustained generation capacity addition. In

Reliance Power Limited

Letter to Shareowners

order to address this critical issue and achieve better operational efficiencies, we are investing in supercritical technology to reduce the amount of coal required for our coal fired projects, and in combined cycle gas turbine technology to increase the output of our gas-fired projects.

The recent Indo-US agreement on civil nuclear cooperation, which augurs well for the participation of international players in the development of the domestic power sector, is expected to ease the import of nuclear fuel in the country. We are confident that the concerns being expressed about the political viability of the deal would be satisfactorily addressed, keeping in mind the paramount national objective of ensuring the overall growth and development of the power sector in the country.

Our partners in development

Reliance Energy Limited, a promoter of the Company, is also engaged in generation, transmission, distribution and trading of power. Reliance Energy is generating over 941 MW power through its plants located at Maharashtra, Andhra Pradesh, Karnataka, Kerala and Goa. The Company's relationship with Reliance Energy would help us execute the projects on time and achieve greater operational efficiency.

Our Company is an integral part of the Reliance Anil Dhirubhai Ambani 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 Power, like the Reliance Anil Dhirubhai Ambani Group, embodies the essential ethos of our young nation – the new resurgent India of the 21st century.

- To build a global enterprise for all our stakeholders,
- A great future for our country,
- To give millions of young Indians the power to shape their destiny, and
- The means to realize their full potential.

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. 133 crore (US\$ 33 million)
- Net profit of Rs. 101 crore (US\$ 25 million)
- Earnings per share (EPS) of Rs. 0.17

Issue of Bonus shares

As you are aware, subsequent to the closing of the Initial Public Offering (IPO) of the Company, the global and Indian equity markets have suffered an extraordinary meltdown, with all benchmark indices declining by 15 to 20 per cent. In line with this global trend, the Company's share price too closed below the IPO price after listing on February 11, 2008.

In keeping with Reliance Anil Dhirubhai Ambani Group's fundamental and over-riding philosophy of creating value for genuine long terms investors, the board of the Company decided to issue bonus shares in the ratio of three equity shares for every five equity shares held by the members.

Waiver of entitlement to Bonus Shares

In the long term interests of the company and its more than 4 million members, the promoters of the company, viz Reliance Energy Limited and Anil Dhirubhai Ambani Group who collectively hold 203.20 crore equity shares representing 89.92% of the existing paid up equity share capital of the Company, have in an extraordinary and unprecedented step decided to waive their entitlement of bonus shares.

The issue of bonus shares would result in reducing the cost of acquisition of shares to below the IPO price. This would safeguard the interest of investors and enhance long term value. The well-being of our shareholders is dear to us, and inspired by the example of our legendary founder, Shri Dhirubhai Ambani, we would continue to explore every opportunity to increase their wealth.

Corporate governance

We have adopted the Reliance Anil Dhirubhai Ambani Group Corporate Governance Policies and Code of Conduct which has prescribed a set of systems, processes and principles conforming to the international standards, aimed at promoting the interests of all our stakeholders.

Social Commitments

The Company contributed to community welfare activities and took up several initiatives and measures related to education and healthcare.

Our commitment

At Reliance Power, maximizing shareholders value is an article of faith. With this in mind, we will explore all emerging opportunities in the power sector. We will work in partnership with our customers to anticipate market changes and proactively respond to them. The growth potential in the market, together with our operational capabilities, lead us to believe that we are ideally placed to continue to perform strongly across all business sectors.

We firmly believe that we will succeed in establishing a leadership position among private players in the power sector and we will be a force to reckon with.

I seek your continued support and encouragement in all our endeavors.



Anil D. Ambani
Chairman

April 28, 2008

Reliance Power Limited

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Andhra Pradesh, India		
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Investor Helpdesk

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Email: rpower@karvy.com

Post your request at:

<http://kcpl.karvy.com/adag>

**14th Annual General Meeting on Tuesday, September 23, 2008 at 11.00 a.m.
at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020**

The Annual Report can be accessed at www.reliancepower.co.in

Reliance Power Limited

Notice

Notice is hereby given that the fourteenth Annual General Meeting of the Members of Reliance Power Limited will be held on Tuesday, September 23, 2008 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 Balance Sheet as at March 31, 2008, the Profit and Loss Account for the financial year ended as on that date and the reports of the Board of Directors and Auditors thereon.
2. 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, be and or hereby appointed as the 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

3. **Appointment of Shri Anil D Ambani as Director**

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

"RESOLVED THAT in accordance with 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 Anil D Ambani, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, not liable to retire by rotation, under the provisions of Article 46 of the Articles of Association of the Company."

4. **Appointment of Shri S L Rao as Director**

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

"RESOLVED THAT in accordance with 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 S L Rao, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

5. **Appointment of Shri J L Bajaj, as Director**

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

"RESOLVED THAT in accordance with 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 J L Bajaj, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

6. **Appointment of Dr Yogendra Narain as Director**

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

"RESOLVED THAT in accordance with 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), Dr Yogendra Narain, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

7. **Appointment of Dr V K Chaturvedi as Director**

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

"RESOLVED THAT in accordance with 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), Dr V K Chaturvedi, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

8. **Appointment of Manager**

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 387 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956, (the Act) and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the

Notice

appointment of Shri Paresh Rathod as the Manager of the Company for a period of five years commencing from April 28, 2008 on the terms and conditions including remuneration set out in the Agreement to be entered into between the Company and Shri Paresh Rathod, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or Agreement, as may be agreed to between the Board and Shri Paresh Rathod, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Shri Paresh Rathod, as Manager, the remuneration and perquisites set out as aforesaid be paid or granted to him as minimum

remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force.

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

By Order of the Board

Paresh Rathod
Company Secretary

Registered Office:
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710
July 31, 2008

Notes

1. **A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of herself/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. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Meeting.
3. Members/proxies should fill in the attendance slip for attending the Meeting.
4. 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.
5. 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.
6. Relevant documents referred to in the accompanying Notice are open for inspection by the members 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 Meeting.
7. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Businesses to be transacted at the Meeting is annexed hereto.
8. The Company's Register of Members and the Share Transfer Books were closed from Tuesday, June 03, 2008 to Thursday, June 5, 2008 (both days inclusive).
9. Non-resident Indian Members are requested to inform Karvy Computershare Private Limited immediately on the change in the residential status on return to India for permanent settlement.
10. Appointment of Directors: At the ensuing Meeting, Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi seek appointment as Directors. The details pertaining to these Directors required to be provided pursuant to clause 49 of the Listing Agreement are furnished in the reports on Corporate Governance forming part of this Annual Report.
11. Members are advised to refer to the section "Investor Information" provided in this Annual Report.
12. Members are requested to fill in and send the Response form provided in this Annual Report, to aid the Company in its constant endeavour to enhance the standards of service to investors.
13. Pursuant to Circular No. SEBI/CFD/DIL/LA/2/2007/26/4 dated April 26, 2007, issued by the Securities and Exchange Board of India, the statement containing the salient features of the balance sheet, profit and loss account and auditors' report (Abridged Financial Statements), is sent to the members along

Reliance Power Limited

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with the Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the full Annual Report, may write to the Registrar and Transfer Agent of the Company.

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

Item Nos. 3 to 7

The Board of Directors of the Company ("the Board") at its meeting held on September 30, 2007, pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") and Article 48 of the Articles of Association of the Company, had appointed Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi, as Additional Directors of the Company. In terms of the provisions of Section 260 of the Act, Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi, hold Office up to the date of this Annual General Meeting.

The Company has received notices in writing from members along with deposit of Rs.500 for each director, proposing the candidatures of Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi for the office of Director of the Company under the provisions of Section 257 of the Act.

Brief resume of these Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships, number of shares held in the Company and memberships/chairmanships of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the report on Corporate Governance forming part of the Annual Report. None of the Directors is related to any other Director on the Board.

The Board accordingly recommends the ordinary resolutions set out at Item Nos. 3 to 7 of the accompanying Notice for the approval of the members.

Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi may be deemed to be concerned or interested in the resolution(s) relating to their respective appointment.

Item No. 8

The Board of Directors of the Company at their meeting held on April 28, 2008, have, subject to the approval of the Members in general meeting and the Central Government, if required, appointed Shri Paresh Rathod as Manager of the Company for a period of 5 (five) years commencing from April 28, 2008 on the remuneration recommended by the Remuneration Committee of the Board of Directors. Shri Paresh Rathod, aged 39 years is a commerce and law graduate and a fellow member of the Institute of Company Secretaries of India. He has over 15 years of experience in corporate secretarial, legal, finance and managerial functions. The remuneration payable to and the terms of appointment of Shri Paresh Rathod as Manager of the Company during

the tenure of his appointment will comprise salary, allowances and the other perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to Rs. 9.26 lakh per annum. The perquisites and allowances payable to Shri Paresh Rathod will include Company owned / Leased Accommodation or House Rent allowance in lieu thereof, medical reimbursements, leave travel concession for self and his family including dependants; medical insurance 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). However the Company's contribution to Provident Fund, Superannuation or Annuity Fund to the extent these singly or together are not taxable under the Income-tax Act, 1961 and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration. In addition to the above, Shri Paresh Rathod shall also be eligible to an annual increment not exceeding 20% on the last drawn salary, perquisites and allowances during his tenure as Manager. Shri Paresh Rathod fulfils the conditions for eligibility contained in Part I of Schedule XIII to the Companies Act, 1956. The terms and conditions of appointment and payment of remuneration are set out in the Agreement to be entered into between the Company and Shri Paresh Rathod. The Board or any Committee thereof, subject to requisite approval(s), if necessary, is entitled and authorised to revise at any time, the salary, allowances and perquisites payable to the Manager of the Company such that the overall remuneration payable to the Manager of the Company shall not exceed the limits specified above. Either party may terminate the aforesaid Agreement by giving three months prior notice of termination in writing to the other party. The above may be treated as an abstract of the draft agreement proposed to be entered into between the company and Shri Paresh Rathod, pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors accordingly recommends the resolution set out at Item No. 8 of the accompanying Notice for the approval of the Members.

None of the Directors of the Company, except Shri Paresh Rathod as Manager is, in any way, concerned or interested in the said resolution.

By Order of the Board

Paresh Rathod
Company Secretary

Registered Office
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710
July 31, 2008

Directors' Report

Dear Shareowners,

Your Directors have pleasure in presenting the 14th Annual Report, together with the audited statement of accounts of the Company for the year ended March 31, 2008.

Financial Results

The performance of the Company for the financial year ended March 31, 2008 is summarised below;

Particulars	Financial Year ended March 31, 2008		Financial Year ended March 31, 2007 *	
	Rs. in million	US \$ in million *	Rs. in million	US \$ in million *
Total Income	1328.67	33.12	22.52	0.52
Gross Profit before Depreciation	1014.39	25.28	5.42	0.13
Less: Depreciation	-	-	-	-
Profit before Tax	1014.39	25.28	5.42	0.13
Less: Provision for -				
Current Tax	58.00	1.45	3.8	0.090
Fringe Benefit Tax	4.00	0.10	-	-
Taxes of earlier years	5.70	0.13	-	-
Profit After Tax	946.69	23.60	1.62	0.04
Balance of Profit/(Loss) brought forward from previous period	0.15	0.00	(1.46)	0.03
Balance carried to Balance Sheet	946.84	23.60	0.15	0.01

* Rs 40.12 = US \$ 1 Exchange rate as on March 31, 2008 (Rs 43.47 = US \$ 1 as on March 31, 2007)

Financial Performance

During the year under review, your Company recorded total income of Rs 132.87 crore, against Rs 2.25 crore in the previous year. Net Profit for the financial year ended March 31, 2008 increased to Rs 94.67 crore from Rs 0.16 crore in the previous year. Shareholders equity (Networth) increased to Rs 13,542.68 crore from Rs 200.06 crore in the previous year.

Promoters of the Company

AAA Project Ventures Private Limited and Reliance Energy Limited are the promoters of the Company, with aggregate holdings of 89.92% in the equity capital of the Company.

Initial Public Offering

The Company with a view to raising funds for implementation of the various projects under execution and consideration, came out with an Initial Public Offering (IPO) of 26,00,00,000 equity shares of Rs 10 each for cash at a price of Rs 450 per equity share at a premium of Rs 440 per equity share (Rs.420 per share for Retail Individual Investors) aggregating Rs 11,563.20 crore (net of retail discount) including 3.20 crore equity shares to the Promoters of the Company at a price of Rs 450 per share.

The Company received the clearance from the Securities and Exchange Board of India on December 28, 2007, and from the Registrar of Companies on January 2, 2008, for its maiden IPO. The IPO opened on January 15, 2008, and closed on January 18, 2008. The IPO, the largest in the history of the Indian capital markets, received an overwhelming response with commitment of nearly Rs 7,50,000 crore (US \$ 190 billion) from nearly 500 institutional investors across the globe and 5 million retail investors. The sheer scale and unprecedented magnitude of the response clearly reflected the pricing of the IPO as being in line with prevailing valuation benchmarks and market sentiments.

Post-allotment, the Company has approximately 42 lakh shareholders. The equity shares, offered through this IPO, are listed at the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited and are traded from February 11, 2008.

Issue of Bonus Shares

Subsequent to the closing of the IPO, the global and Indian equity markets have suffered an extraordinary meltdown, with all benchmark indices declining by 15 – 20 per cent, and leading Indian stocks declining by an even greater range of 20 – 40 per cent. In line with this global trend, the Company's share price had closed below the IPO price for the first two weeks after listing on February 11, 2008. Since the opening of the Company's IPO on January 15, 2008 and after a week from listing on February 11, 2008, the Sensex was down by 13 per cent, while the Company's share price was down by 11 per cent from the IPO price for retail investors and 15 per cent for other categories of investors.

In the long term interests of the Company and its more than 4 million Members, the Promoters of the Company i.e. Reliance Energy Limited and Anil Dhirubhai Ambani Group who collectively hold 203.20 crore equity shares representing 89.92 per cent of the existing paid-up equity share capital of the Company, have in an extraordinary and unprecedented step decided to waive their entitlement to the issue and allotment of Bonus Shares.

In keeping with the Reliance Anil Dhirubhai Ambani Group's fundamental and over-riding philosophy of creating value for genuine long term investors, the Board of Directors of the Company deemed appropriate as one-time measure to reduce the effective cost of acquisition of the Company's shares below the IPO price by issue of Bonus Shares. The Board recommended issue of bonus shares to all the shareholders of the Company under public category (excluding the promoters) in the ratio of three new fully paid-up equity shares of Rs 10 each for every five existing fully paid-up equity shares of Rs 10 each held.

In another unprecedented step in order to protect Reliance Energy Limited (REL), a Promoter of the Company, from suffering any dilution of its holding in the Company consequent upon REL waiving its right to Bonus Shares, AAA Project Ventures Private Limited, an entity fully controlled by Shri Anil D Ambani and also Promoter of REL has undertaken voluntarily without any obligation to do so and without any specific consideration

Reliance Power Limited

Directors' Report

to contribute as and by way of gift, 2.57 per cent of its post Bonus Issue shareholding comprising 6,15,00,000 equity shares in the Company to REL.

The members through Postal Ballot have approved the proposal for issue and allotment of bonus equity shares on April 21, 2008. The Company is taking steps to implement the proposal in this regard.

Dividend

Your Directors have not recommended any dividend on equity shares for the year under review.

Merger of Reliance Public Utility Private Limited with the Company

In terms of the scheme of Amalgamation sanctioned by the Hon'ble High Court of Bombay effective from September 29, 2007, Reliance Public Utility Private Limited amalgamated with the Company.

Authorised Capital

During the year under review, the authorised share capital of the Company increased to Rs 15,000 crore effective from September 1, 2007. Further, pursuant to the scheme of amalgamation of Reliance Public Utility Private Limited with the Company, the authorised capital of the Company stands increased to Rs 16,000 crore divided into 1,100 crore equity shares of face value Rs 10 each and 500 crore preference shares of face value Rs 10 each.

Management Discussion and Analysis

Management Discussion and Analysis report for the year under review, as stipulated under clause 49 of the listing agreement with the stock exchanges in India, is presented in a separate section forming part of the Annual Report.

The Company has entered into various contracts in the areas of power business. While benefits from such contracts will accrue in the future years, their progress is periodically reviewed.

Subsidiary Companies

During the year under review, the following companies, viz. Sasan Power Limited, Maharashtra Energy Generation Limited, Vidarbha Industries Power Limited, Tato Hydro Power Private Limited, MP Power Generation Private Limited, Siyom Hydro Power Private Limited, Urthing Sobla Hydro Power Private Limited, Kalai Power Private Limited, Coastal Andhra Power Limited, Maharashtra Energy Generation Infrastructure Limited (subsidiary of Maharashtra Energy Generation Limited), Coastal Andhra Power Infrastructure Limited (subsidiary of Coastal Andhra Power Limited), Sasan Power Infrastructure Limited (subsidiary of Sasan Power Limited), Sasan Power Infraventures Private Limited (subsidiary of Sasan Power Limited) and Reliance Coal Resources Private Limited, have become subsidiaries of the Company.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, report of the Board of Directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request to any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries has been furnished in the notes on abridged consolidated financial statements, which forms part of the Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member. Further, pursuant to Accounting Standard-21 (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include financial information of its subsidiaries.

Fixed Deposits

The Company has not accepted any fixed deposits during the year under review.

Directors

During the year under review, Shri S C Gupta, Shri Rakesh Aggarwal, Shri Ashish Tambawala and Shri Himanshu Agarwal, resigned as Directors of the Company.

Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi were appointed as Additional Directors in terms of Section 260 of the Companies Act, 1956 effective from September 30, 2007. They hold office up to the date of the ensuing Annual General Meeting. The Company has received notices in writing from members proposing the candidatures of Shri Anil D Ambani, Shri S L Rao, Shri J L Bajaj, Dr Yogendra Narain and Dr V K Chaturvedi, for the office of Director.

Shri K H Mankad, was appointed as an Additional director and Whole-time Director with effect from November 7, 2007. Members of the Company at their extraordinary general meeting held on November 9, 2007, approved the appointment of Shri Mankad as a Director and Whole-time Director of the Company.

Brief resumes of these directors, the nature of their expertise in specific functional areas, names of companies in which they hold directorships and the memberships/chairmanship of committees of the board, their shareholdings, etc. as stipulated under clause 49 of the listing agreement with the stock exchanges in India are provided in the report on corporate governance forming part of the annual report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the financial year ended March 31, 2008, the applicable accounting standards have been followed and that there are no material departures from the same;
- (ii) the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008, and of the profit of the Company for the said period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the accounts for the financial year ended March 31, 2008 on a 'going concern' basis.

The above statements have been noted by the audit committee at its meeting held on April 27, 2008.

Group

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising 'group' as defined under the Monopolies and Restrictive Trade Practices ('MRTP') Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Consolidated Financial Statements

The audited consolidated financial statements based on the financial statements received from subsidiary companies, as approved by their respective board of directors, have been