

RELIA**N**Ce Power

Anil Dhirubhai Ambani Group

Annual Report
2008-09





Dhirubhai H. Ambani

(28th December, 1932 – 6th July, 2002)

Reliance Group – Founder and Visionary

Profile

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

RPower is engaged in the development, construction and operation of power generation projects with a combined planned capacity of 33,480 MW, the largest portfolio of private power generation assets under development in India.

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

Our projects are diverse in geographic location, fuel source and offtake.

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.

This Report is printed on environmental friendly paper produced from chlorine free pulp made up of plantation trees.

Reliance Power Limited

| Board of Directors | Contents | Page No. |
|---|--|-----------------|
| Shri Anil D Ambani - Chairman | Letter to Shareowners | 5 |
| Shri K H Mankad - Whole-time Director | Notice of the Annual General Meeting | 7 |
| Shri S L Rao | Directors' Report | 9 |
| Shri J L Bajaj | Auditors' Certificate on Corporate Governance | 12 |
| Dr Yogendra Narain | Management Discussion and Analysis | 13 |
| Dr V K Chaturvedi | Corporate Governance Report | 20 |
| Chief Executive Officer | Investor Information | 30 |
| Shri J P Chalasani | Auditors' Report on Financial Statements | 39 |
| Company Secretary | Annexure to Auditors' Report | 40 |
| Shri Paresh Rathod | Balance Sheet | 42 |
| Auditors | Profit and Loss Account | 43 |
| Price Waterhouse Chaturvedi & Shah | Schedules and Notes | 44 |
| Registered Office | Cash Flow Statement | 62 |
| H Block, 1st Floor Dhirubhai Ambani Knowledge City Navi Mumbai 400 710 Maharashtra, India | Statement of Interest in Subsidiary Companies | 64 |
| Registrar and Transfer Agent | Auditors' Report on the Consolidated Financial Statements | 67 |
| Karvy Computershare Private Limited Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad 500 081 Andhra Pradesh, India website : www.karvy.com | Consolidated Balance Sheet | 68 |
| Investor Helpdesk | Consolidated Profit and Loss Account | 69 |
| Toll free no. (India) : 1800 4250 999 Telephone : +91 40 2342 0815-25 Fax : +91 40 2342 0859 Email : rpower@karvy.com Website: http://kcpl.karvy.com/adag | Schedules and Notes forming part of Consolidated Financial Statements | 70 |
| | Consolidated Cash Flow Statement | 88 |
| | Shareholder Response Form - 2009 | 89 |
| | Attendance Slip and Proxy Form | 91 |

15th Annual General Meeting on Tuesday, July 28, 2009 at 11.00 a.m.
at Birla Matushri Sabhaagar, 19 Sir Vithaldas Thackersey Marg, Mumbai 400 020

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

Letter to Shareowners



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

– Anil D Ambani

My dear fellow shareowners,

It gives me great pleasure to share with you the highlights of our Company's achievements in FY 2008-09. During the year, our Company made significant progress in fulfilling its vision of becoming the largest and the fastest growing private sector power utility in the country.

We reached key milestones, including the financial closure of the Sasan Ultra Mega Power Project. We won the Tilaiya Ultra Mega Power Project in addition to hydro power projects in Arunachal Pradesh. We also made excellent progress towards the execution of Rosa Power Plant ahead of schedule.

The installation of a stable government at the Centre is a huge positive development, which is likely to usher in long pending reforms that are required to keep the economy on a high-growth trajectory.

Key Developments

Financial Closures

As you are aware, our Company has embarked upon a capacity addition programme in generation that is unparalleled in the history of the Indian Power Sector. We plan to add over 30,000 MW in the next 7-8 years. Since financing these projects will entail significant amounts of debt, achieving timely financial closures is of utmost importance.

It is therefore a matter of pride that we were able to secure the largest ever debt on non-recourse project finance basis across any industry in India for the Sasan Ultra Mega Power Project at a time when the External Debt Market had gone completely dry and the domestic lenders had turned ultra-cautious, thanks to the unfolding global credit crisis.

The Sasan closure also represents the first ever appraisal of an integrated coal mine cum power project of this scale on project finance basis in the country. We were also successful in getting our appraisals completed for the 600-MW expansion at Rosa and the 300-MW at Butibori. In addition, we obtained part sanction for the Krishnapatnam Ultra Mega Power Project. In all, we were able to get appraisals done or obtain sanctions for project with an investment outlay of more than Rs 40,000 crore (US\$ 8 billion).

Progress on Project Execution

Given our large generation portfolio, it is imperative that we focus our attention on ensuring that we implement all our projects on time and at costs which are lower than our initial estimates. Indeed, we are committed to setting new benchmarks in project costs and time schedules. The Rosa Power Plant, located in Uttar Pradesh, is currently ahead of schedule and we expect it to be operational before the end of FY 2009-10. In 2011, we expect to commission the expansion units at Rosa and the upcoming plants at Butibori.

We have also advanced, by almost three years, the schedule for the commissioning of the first Ultra Mega Power Project at Sasan. We hope to commission two units of 660 MW each at Sasan before the end of FY 2011-12.

We are well aware of the complex challenges that lie in the way of successful execution of power projects. But given our traditional strength in project management and the experience of our execution teams, we remain confident of successfully overcoming any odds.

New Projects

The power sector in India continues to offer exciting new opportunities. During the year, we won, through a competitive bidding process, the right to develop the 3,960 MW Tilaiya Ultra Mega Power Project located in the State of Jharkhand. Aside from the significant synergies that it has with other power projects that we are developing, Tilaiya also presents the added advantage of having captive coal mines allocated for it.

While coal-based power projects provide large headroom for growth, we are equally confident about the benefits and advantages that would accrue from having hydro power projects in our portfolio. We have therefore keenly participated in the bids for such projects and have recently been awarded four more hydro power projects for development in the state of Arunachal Pradesh. With this, the total hydro capacity in our portfolio has gone up to 4,620 MW, while our aggregate portfolio now stands at more than 33,000 MW.

Reliance Power Limited

Letter to Shareowners

Securing Fuel tie-ups

Fuel availability and its pricing continue to be one of the biggest challenges for power projects in India. While we have plenty of coal reserves in the country, the development of mines has not kept pace with our ambitious programme for the addition of generation capacities. We have therefore made it a conscious part of our strategy to ensure that a major portion of our coal-based generation portfolio is supported by captive mines.

The proposed Ultra Mega Power Project at Talaiya has given us the right to develop coal mines with estimated reserves of almost one billion metric tonnes. Potentially, this makes us one of the largest coal mining companies in the country, with nearly 2 billion tonnes of aggregate reserves.

Performance review

The salient points of company's financial performance are:

- Total income of Rs 334.72 crore as compared to Rs 132.87 crore in the previous year.
- Net profit of Rs 248.90 crore as compared to Rs 94.67 crore in the previous year.
- Earnings per share (EPS) of Rs 1.04 as compared to Re 0.17 in the previous year.

Corporate governance

During the year under review, a series of unfortunate disclosures brought the spotlight back on governance practices in Corporate India and jolted investors in India and across the world.

We remain committed to maintaining the highest standards of corporate governance and would continue to work in a transparent and professional manner for creating value for all stakeholders.

There is nothing we value more highly than the trust of our 3.8 million shareholders, the largest such family in the world. And we will do all we can to preserve, protect and enhance it.

Social Commitments

Our company is setting up power projects across the length and breadth of the country. These projects entail the acquisition of significant amounts of land which, in some cases, might come from people who have to be rehabilitated and resettled. We are committed to adopting Rehabilitation & Resettlement (R&R) policies which go beyond the norms set out by the Government. Our intention is to ensure that we meet the development needs of the local community wherever we are setting up our projects.

Our commitment

Our Company takes pride in being a part of the Reliance Anil Dhirubhai Ambani Group, which ranks among India's top business houses. This association would continue to shape our vision and values.

At Reliance Power, we believe in maximizing shareholders value, and in benchmarking ourselves to the best global standards. We make every effort to ensure that our projects are based on cutting-edge technologies, and are executed at speeds and costs which are unmatched in the industry.

The last financial year was a landmark year in our endeavour to take over the mantle of leadership among India's private sector power players. The year ahead will be, if anything, even more critical.

As ever, I seek your whole-hearted support and encouragement in this exciting journey.



Anil D Ambani
Chairman

Notice

Notice is hereby given that the 15th Annual General Meeting (AGM) of the Members of Reliance Power Limited will be held on Tuesday, July 28, 2009 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, 2009, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S L Rao who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri J L Bajaj who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Price Waterhouse, Chartered Accountants and Chaturvedi & Shah, Chartered Accountants, be and are hereby appointed as joint statutory 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

5. To consider and, if though fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) the Articles of Association of the Company be amended by inserting the following new clause 87 after the existing clause 86;

'Clause 87

The Company shall continue to hold equity stake in Sasan Power Limited and Chitrangi Power Private Limited, such that Sasan Power Limited and Chitrangi Power Private Limited remain subsidiaries of the Company during the life span of the Sasan Ultra Mega Power Project, Moher, Moher Amlohri Extension and Chhatrasal Coal Mines.'

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

By Order of the Board

Paresh Rathod
Company Secretary

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

April 23, 2009

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 DP Id and Client Id numbers and those who hold shares in physical form are requested to write their folio number 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 item no. 5 of the notice setting out the material facts is annexed hereto.

Reliance Power Limited

Notice

8. The Company's Register of Members and the Share Transfer Books will remain closed from Tuesday, July 21, 2009 to Tuesday, July 28, 2009 (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. Re-appointment of directors; At the ensuing meeting, Shri S L Rao and Shri J L Bajaj, directors of the Company 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 statements on Corporate Governance forming part of this Annual Report.
11. Members are advised to refer to the section titled 'Investor Information' provided in the 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 its 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 with the Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the unabridged Annual Report, may write to the Registrar and Transfer Agent of the Company.

Annexure to the Notice

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

Item No. 5

Sasan Power Limited (SPL) is a wholly owned subsidiary of the Company. SPL is currently developing a 3,960 MW coal-fired Ultra Mega Power Project (UMPP) involving supercritical technology at Sasan, in the state of Madhya Pradesh. Furthermore, Chitrangi Power Private Limited (CPPL), a wholly owned subsidiary of the Company, is also developing a 3,960 MW coal-fired power project at Chitrangi Tehsil, Sidhi District, Madhya Pradesh. The coal requirements for operation of the aforesaid projects in near future will be supplied from Moher, Moher Amlohri extension and Chhatrasal Coal mines (collectively referred to as "Mines"), which were allotted to SPL by the Ministry of Coal, Government of India. Accordingly, for offtake of coal from aforesaid mines, both SPL and CPPL will have to remain subsidiaries of the Company during the life span of the Sasan Ultra Mega Power Project and the Mines. Therefore, the Articles of Association of the Company need to be suitably amended.

The proposed amendment is being made in order to comply with the requirements imposed by the concerned authorities.

Pursuant to the provisions of Section 31 of the Companies Act, 1956, any amendment to the Articles of Association of the Company requires approval of Members by way of a special resolution.

The board of directors, accordingly, recommends the resolution set out at Item No. 5 of the accompanying Notice for the approval of the Members.

None of the directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

Paresh Rathod
Company Secretary

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

April 23, 2009

Directors' Report

Dear Shareowners,

Your Directors have pleasure in presenting the 15th Annual Report, together with the audited statement of accounts of the Company for the year ended March 31, 2009.

Financial Results

The performance of the Company for the financial year ended March 31, 2009 is summarised below:

| Particulars | Financial Year ended March 31, 2009 | | Financial Year ended March 31, 2008 | |
|--|--|--------------------|--|--------------------|
| | Rs in million | US \$ in million * | Rs in million | US \$ in million * |
| Total Income | 3,347.16 | 65.99 | 1,328.67 | 33.12 |
| Profit before tax | 2,564.74 | 50.57 | 1,014.39 | 25.28 |
| Less: Provision for taxation | | | | |
| - Current tax | 71.00 | 1.40 | 58.00 | 1.45 |
| - Fringe benefit tax | 4.60 | 0.09 | 4.00 | 0.10 |
| - Wealth Tax | 0.10 | - | - | - |
| - Taxes of earlier years | - | - | 5.70 | 0.13 |
| Profit after tax | 2,489.04 | 49.07 | 946.69 | 23.60 |
| Balance of Profit brought forward from previous year | 946.84 | 18.67 | 0.15 | - |
| Balance carried to Balance Sheet | 3,435.88 | 67.74 | 946.84 | 23.60 |

* Rs 50.72 = US \$ 1 Exchange rate as on March 31, 2009 (Rs 40.12 = US \$ 1 as on March 31, 2008)

Financial Performance

During the year under review, your Company recorded total income of Rs 334.72 crore, against Rs 132.87 crore in the previous year. Net Profit for the financial year ended March 31, 2009 increased to Rs 248.90 crore from Rs 94.67 crore in the previous year. Shareholders equity (networth) increased to Rs 13,792.81 crore from Rs 13,542.68 crore in the previous year.

Issue and allotment of Bonus Shares

Subsequent to the closing of the Initial Public Offering (IPO) of the Company, the global and Indian equity markets suffered an extraordinary meltdown. In line with the global trend, the Company's share price had also closed below the IPO price after listing on February 11, 2008. Equity shares, by their very nature, are risk-bearing instruments and there is no obligation on behalf of any issuer to insure investors against possible losses. However, in keeping with the Reliance ADA 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.

Accordingly, the board had recommended issue of bonus shares to all the shareholders of the Company under public category 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. The Promoters of the Company viz. AAA Project Ventures Private Limited (AAA) and Reliance Infrastructure Limited (RInfra), who held 45 per cent each of the equity shares of the Company waived their entitlement to receive the bonus shares.

Besides, in order to ensure that the holding of RInfra is not diluted, AAA undertook to gift 6.15 crore shares of the Company out of its holding to RInfra.

The members through Postal Ballot approved the proposal on April 21, 2008, for issue and allotment of bonus equity shares in the proportion of three new fully paid-up equity shares of Rs 10 each for every five fully paid-up equity shares of Rs 10 each held as on the Record Date.

Pursuant to approval of the members, the Company issued and allotted 13.68 crore equity shares of Rs 10 each aggregating Rs 136.80 crore as bonus shares credited as fully paid up by capitalisation of the sum standing to the credit of the Securities Premium Account to all members (other than the Promoters) of the Company, holding equity shares of Rs 10 each of the Company at the close of business hours on June 2, 2008, being the date prior to the book closure from June 3, 2008 to June 5, 2008 (both days inclusive), notified by the Board of Directors for this purpose, in the ratio of three new fully paid-up equity shares of Rs 10 each for every five fully paid up equity shares of Rs 10 each held.

Reliance Power Limited

Directors' Report

As per the undertaking given to RInfra as mentioned above, AAA, gifted 6.15 crore shares of the Company to RInfra. As a result RInfra continue to hold 44.96 per cent of the equity shares of the Company, while holding of AAA declined to 39.82 per cent of the equity shares of the Company.

The equity shares allotted through bonus issue were listed at the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited and started trading from June 18, 2008.

Dividend

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

Management Discussion and Analysis

The Management Discussion and Analysis of financial condition including the result of operations of the Company for the year under review, as required under clause 49 of the listing agreement with the stock exchanges, is given as a separate statement in Annual Report.

The Company and its subsidiaries have 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

The Company, as of March 31, 2009 had 14 subsidiaries, viz. Sasan Power Limited, Rosa Power Supply Company Limited, Maharashtra Energy Generation Limited, Vidarbha Industries Power Limited, Tato Hydro Power Private Limited, Siyom Hydro Power Private Limited, Chitrangi Power Private Limited, Urthing Sobla Hydro Power Private Limited, Kalai Power Private Limited, Coastal Andhra Power Limited, Reliance Coal Resources Private Limited, Sasan Power Infrastructure Limited and Sasan Power Infraventures Private Limited. Reliance Power International Sarl, Luxemburg, became subsidiary in terms of Section 4(1)(b)(ii) of the Companies Act, 1956. Besides, Maharashtra Energy Generation Infrastructure Limited, is a wholly owned subsidiary of Maharashtra Energy Generation Limited and Coastal Andhra Power Infrastructure Limited, is a wholly owned subsidiary of Coastal Andhra Power Limited. In terms of Section 4(1)(c) of the Companies Act, 1956, these two companies are subsidiaries of the Company.

In terms of the approvals granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the balance sheet, profit and loss account and reports of the board of directors and auditors of the subsisting subsidiaries have not been attached with the balance sheet of the Company. However, these documents will be made available upon request by any member of the Company interested in obtaining the same. As directed by the Central Government, the financial data of the subsidiaries has been furnished in the Notes on 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) prescribed under the Companies (Accounting Standards) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiaries.

Fixed Deposits

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

Directors

Shri S L Rao and Shri J L Bajaj retire by rotation and are eligible for re-appointment. 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, 2009, 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, 2009, and of the profit of the Company for the said period;
- (iii) the Directors have taken proper and sufficient care to the best of their knowledge and ability 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, 2009 on a 'going concern' basis.

The above statements were noted by the audit committee at its meeting held on April 22, 2009.

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 furnished in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.